

Means of attracting European customers to Baltiya Hotel in Saint Petersburg, Russia

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<p>The following thesis is a research-oriented study, which aims to provide a comprehensive picture of current and possible marketing strategies of Baltiya Hotel located in Saint Petersburg, Russia. In particular, the report investigates the means of attracting European customers to Baltiya Hotel and keeping them coming back. Therefore, the author's goal was to come up with development suggestions, which will then be put into action by the management of Baltiya Hotel.</p> <p>The theoretical framework is based on contemporary marketing studies corresponding to the problem being researched. The situation assessment includes a thorough overview of the Saint Petersburg hotel market performance, as well as PEST, SWOT, and competitor analyses. The report integrates both quantitative and qualitative data. Therefore, a specially designed questionnaire was proposed to European guests of Baltiya Hotel in order to investigate the level of satisfaction with the hotel's services and develop a profile of this type of guests. In addition, two in-depth interviews were conducted, one with a Haaga-Helia Principal lecturer frequently travelling for business purposes, and another one with the director of sales and marketing at Baltiya Hotel. The aim was to discover typical expectations and perceptions of a European business traveller in relation to hotel services, as well as to obtain information on the current marketing strategies implemented by Baltiya Hotel.</p> <p>The results of the thesis reveal several gaps between the measures undertaken by Baltiya Hotel to attract more European guests and actual results from these measures to targets. Therefore, improvement suggestions were provided to the hotel management in order to be promptly put into action. The emphasis was placed on upgrading the company website, improving the hotel restaurant menu, increasing social media engagement with the hotel customers, and ensuring personal interaction with the new potential markets in Europe. These measures are supposed to facilitate revenue generation, as well as to ensure that the management is working towards improving the company's overall effectiveness.</p>	
Keywords Hotel, tourism, hospitality, marketing, development, business, leisure, research	

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1 Introduction

1.1 Topic and object

The study focuses on the development strategy of Baltiya Hotel located in Saint Petersburg, Russia, in terms of attracting customers from European countries, including the USA, Canada and Australia, either leisure tourists or business customers. Decreasing occupancy is a big concern for Baltiya Hotel, as well as significant prevalence of local customers over international ones. Therefore, the commissioner is interested to find out ways of promoting Baltiya Hotel in order to attract customers from Europe and keep them coming back or even wishing to stay longer.

The study is expected to provide a broad picture of various tools aimed at attracting European customers and increasing profitability. Furthermore, the hotel is counting upon obtaining effective suggestions on improving the current situation and adjusting existing services towards European customers' needs.

1.2 Purpose of the study

Overall, the thesis objectives can be cited as follows:

- to evaluate European guests' level of satisfaction with Baltiya Hotel existing services and facilities
- to develop a profile of Baltiya Hotel European guests
- to come up with development suggestions in order to attract European customers to Baltiya Hotel and keep them coming back or even wishing to stay longer
- to find out ways of promoting the hotel on the European market, regarding the company's overall opportunities
- to find out the best possible budget options to achieve the mentioned goals, in order for Baltiya Hotel to increase profitability
- to make an overview of the current situation on the Saint Petersburg hotel market, in order to provide a broader perspective on the issue to be researched.

1.3 Thesis structure

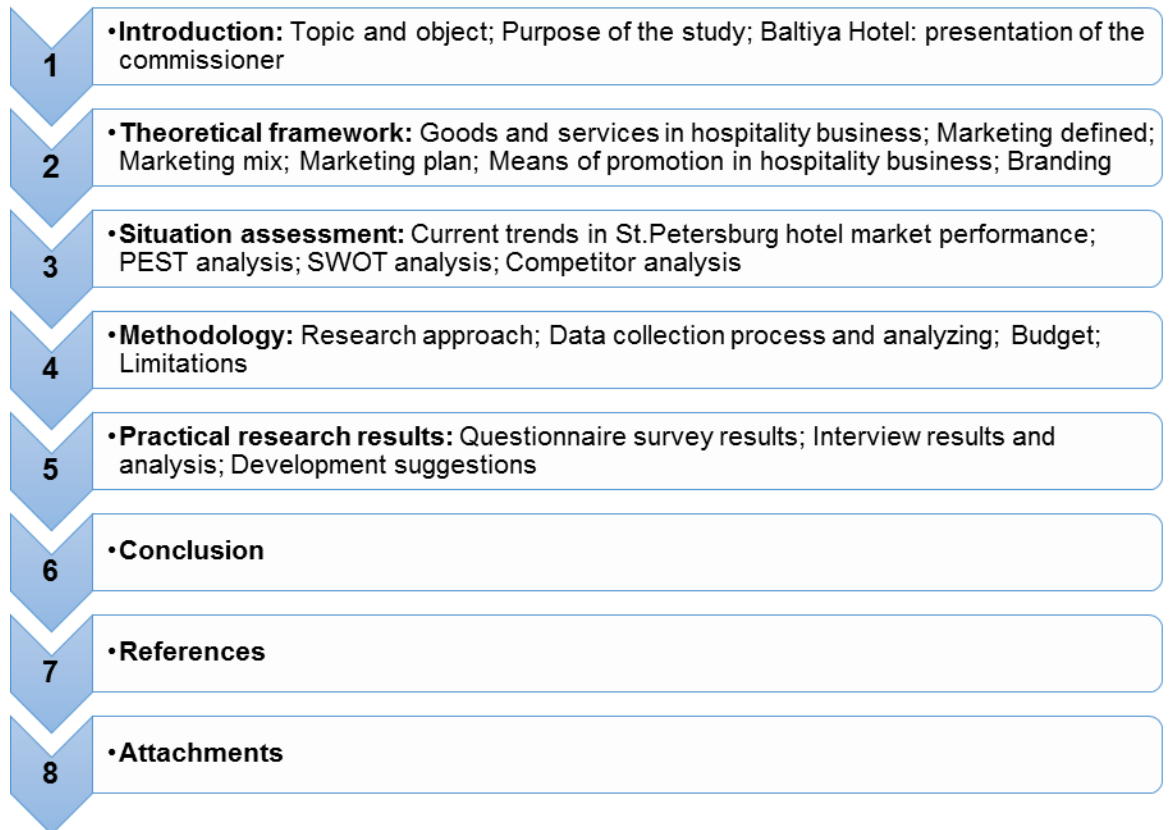


Figure 1. Thesis structure

1.4 Baltiya Hotel: presentation of the commissioner



Figure 2. Baltiya Hotel logo

The limited liability company “BALTIYA Hotel Management”, which is the legal name of Baltiya Hotel, is a privately owned company found in March 2012. The organization is based in Saint Petersburg, Russia. This is a separate midscale three-star hotel, which does not belong to any hotel chain or holding. The hotel is meant for both business and leisure travellers.

From the start, the company’s financial resources were obtained from the personal accounts of the hotel’s founder, who currently continues to allocate money for the company needs and further development. Baltiya Hotel also uses business borrowings from a local bank. The main organization large-block shareholders are from abroad; the funds from them were also brought in order to form the company charter capital.

Initially, the operation had set a number of specific goals in order to position itself in a certain way. The company mission statement can be formulated as follows: providing guests with all the most necessary attributes for a comfortable stay, including quite sleep, high-quality meals, cleanliness, safety, up-to-date business facilities, all these for a quite reasonable price. The hotel staff members are committed to do their best for every guest’s well-being. This is how the company builds loyalty among its customers.

As for the company’s business idea, it can be stated as follows: the founder’s goal was to establish a small and affordable hotel, entirely oriented to its customers’ immediate needs, that would appeal to both business and leisure travellers. The hotel has a favorable location with accessible infrastructure, being quite close to the city center and some of its main sightseeing attractions. It provides all the most necessary conditions for a comfortable stay. Free high-speed Internet and up-to-date business facilities are included. During a visit, one is surrounded by exceptional personnel’s attention and can enjoy high-quality services. Besides, customers can gain benefits making use of the hotel’s special offers, including corporate rates for company bookings and group discounts. In this way, the hotel has already drawn domestic consumers’ attention and developed a loyal customer base. Presently, the company is looking forward to attracting European guests as well.

All in all, the hotel offers 90 rooms split into different categories: standard and superior rooms, along with charming studios and suites. All the rooms provide a pleasant environment, suitable for both work and relaxation. The mandatory amenities are as follows: steadily working telephone line, high speed Internet connection, cable LCD TV, air conditioning, minibar, hair dryer, as well as coffee and tea making facilities. Additionally, the laundry and ironing services are provided every day of the week. The hotel also has a

small restaurant capable of accommodating up to 50 people, which offers Russian and European cuisine. Next to it, there is a stylish lobby bar with a library.

A large conference room, along with two meeting rooms, is suitable for hosting conferences, seminars or business trainings. All in all, these are able to accommodate 60, 15 and 10 people respectively. The high speed Internet is covering the whole conference area. Among the necessary facilities are several laptops, which can be used by conference participants, together with an LCD projector, a TV set, and a DVD player.

The company considers safety and security issues as one of its priorities. Therefore, the hotel premises are equipped with up-to-date security systems: a CCTV video surveillance system, a fire alarm, smoke detectors, a fire sprinkler system, as well as alarm buttons.

Baltiya Hotel has also managed to attract qualified business partners, which are helping the company to promote and sell its services to target customers. All in all, Baltiya Hotel's main intermediaries among local tourism companies are: Versa, Russian City (Russkij Gorod), Selena-Lux, Mister Tour, and Russian Seasons. The primary channels of distribution in Europe are Miki Travel and Travco, London-based tourism agencies. Additionally, close partnership with online travel agencies, such as Booking.com, TripAdvisor and Expedia.com enables the hotel to reach much larger portions of its target markets.

The hotel has already obtained several international tourism industry awards and official nominations, including the TripAdvisor Travellers' Choice Award 2015 and the HRS Top Quality Hotel Award 2014. The company average review score at Booking.com is presently 8,6 out of 10¹.

¹ <http://www.booking.com/hotel/ru/baltiya-hotel.en-gb.html?aid=356993;label=gog235jc-hotel-ru-ru-baltiyaNhotel-unspec-ru-com-L%3Aru-O%3Aunk-B%3Aunk-N%3AXX-S%3Abo;sid=d69de1eb0b28de8d0208715ba2f8324d;dcid=4;dist=0;type=total&>. Accessed: 12 May 2016.

2 Theoretical framework

The chapter will provide a solid theoretical foundation based on contemporary marketing studies. In order for Baltiya Hotel to be successful in attracting European customers, its managers should possess a thorough understanding of marketing. As underlined by Reid and Bojanic (2006, 9), “Without the marketing management skills the hospitality industry demands, a hospitality manager is less likely to achieve success today.” Additionally, important distinctions between leisure and business customers will be discussed in more detail.

2.1 Goods and services in hospitality business

As noted by Hudson (2008, 9), the hospitality sector involves a combination of tangible and intangible products. Thus, it incorporates both physical goods and services. For instance, a hotel represents a mixture of goods, such as beds, meals, and communication systems, that are linked with a range of services, such as front desk, housekeeping, room service, finance, and accounting. This whole package of tangible and intangible options is perceived by the customer as an experience, and represents the core of the hospitality product. (Hudson 2008, 9.)

However, several authors (Keller 2008, 15; Reid & Bojanic 2006, 9-10) underline that the hospitality sector represents primarily a service segment: after leaving the hotel, the customer does not have a tangible product in exchange for the money spent. As stated by Reid and Bojanic (2006, 459), hospitality companies sell atmosphere, convenience, entertainment, escape, and social contact; all of these features are equally intangible.

Therefore, **services** can be defined as activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything (Kotler & Armstrong 2012, 248). As underlined by Hudson (2008, 13), goods are easier to measure, test, and evaluate, while services provide a greater challenge. Figure 3 illustrates the four characteristics by which goods and services are commonly distinguished from each other.

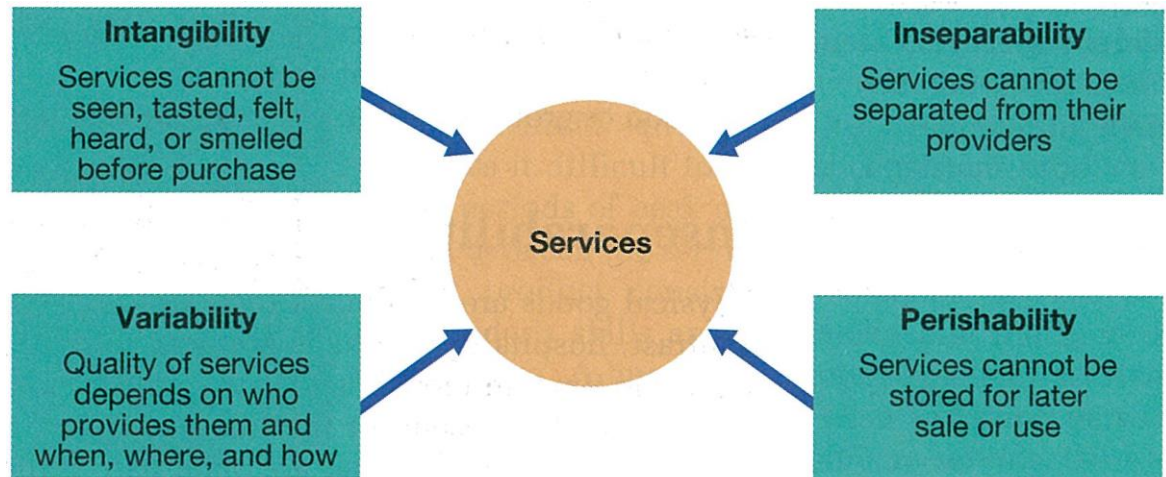


Figure 3. Four service characteristics (Kotler, Bowen & Makens 2014, 39)

Additionally, the **service quality** becomes a global issue, as international customers increasingly expect high quality services regardless the differences in environment settings (Clarke & Chen 2007, 157). Several authors suggest five dimensions of service quality, which are the elements that customers are most likely to perceive when making judgments (Clarke & Chen 2007, 158; Keller 2008, 653; Keller, Apéria, & Georgson 2008, 784):

- **Tangibility.** Service can be associated with physical facilities, equipment, personnel, and promotional materials.
- **Reliability.** The ability to perform the promised service reliably and accurately is highly important.
- **Responsiveness.** The willingness of companies to be helpful and offer prompt service is very important to customers.
- **Assurance.** The knowledge and courtesy of employees and their ability to convey trust and competence are essential.
- **Empathy.** The caring, individualized attention to customers that a company provides is equally important.

2.2 Marketing defined: exploring the idea

As stated by several authors (Keller 2008, 99; Kotler & Armstrong 2012, 31; Kotler, Bowen & Makens 2014, 14), a **market** is a set of all actual and potential buyers of a product or service.

Consequently, the following definition of **marketing** has been approved by the American Marketing Association (AMA): “Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.” (Clarke & Chen 2007, 144; Hudson 2008, 9; Reid & Bojanic 2006, 10.)

In other words, marketing is managing profitable customer relationships (Kotler & Armstrong 2012, 28). Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return (Kotler & Armstrong 2012, 29).

Marketing management is the art and science of choosing target markets and building profitable relationships with them (Kotler & Armstrong 2012, 32). Therefore, the aim of the marketing manager is to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value (Kotler et al. 2014, 15).

Finally, the **marketing concept** is the marketing management philosophy which is based on the premise that achieving organizational goals depends on determining the needs and wants of target markets and delivering desired benefits more efficiently than competitors do (Kotler & Armstrong 2012, 34; Kotler et al. 2014, 17; Reid & Bojanic 2006, 11). Thus, the marketing concept places the customer and the customer’s relationship to the product in a central position (Hudson 2008, 9). Consequently, a successful hospitality organization is one that focuses on the needs and wants of the consumers (Reid & Bojanic 2006, 12).

2.3 Approaches to marketing mix

The **marketing mix** is an important business tool, which is used to describe various choices that organizations have to make in the whole process of delivering a product or service to the market. The marketing mix is generally associated with the **four components, often called the four P’s of marketing**: product, price, place, and promotion (Kotler & Armstrong 2012, 72; Kotler et al. 2014, 110; Reid & Bojanic 2006, 17). Therefore, to deliver on its value proposition, the company must first create a need-satisfying market offering (product). It must decide how much it will charge for the offering (price) and how it will make the offering available to target customers (place). Finally, it must communicate with target customers about the offering and convince them to make a purchase (promotion). (Kotler & Armstrong 2012, 36; Kotler et al. 2014, 19.)

Researchers provide more detailed explanation of each component of the marketing mix (Kotler & Armstrong 2012, 75-76; Kotler et al. 2014, 110; Reid & Bojanic 2006, 17-19):

- **Product.** This component refers to the unique combination of goods and services proposed by the organization to the target market. It includes the number and type of goods and services offered to customers, as well as both tangible and intangible elements of the service offering.
- **Price.** This component refers to the value placed by the company on its products and services. Therefore, it implies the amount of money that customers have to pay to obtain the product. The price element involves pricing the product line, discounting strategies, and positioning against competitors.
- **Place.** This component refers to the manner in which the company's products are being delivered to target customers. The place element is sometimes referred to as distribution, involving decisions related to the location of facilities and the use of intermediaries.
- **Promotion.** This component refers to the methods used to communicate with customer markets and encourage target customers to make purchases. The promotion element includes advertising, personal selling, sales promotions, publicity, and so on. It also involves the amounts to be spent on each component of the promotion mix, the strategies for each of the components, and the overall message to be sent to the target market.

Figure 4 represents the four components of the marketing mix. The target market, or those groups of customers that a company chooses to target with its marketing efforts, is at the center of the process. The elements of the marketing mix form the first layer around the target market. As noted by Reid and Bojanic (2006, 11), these are the variables that can be controlled by the organization. The outside layer of the diagram represents the external forces that affect the performance of a product or service: economic, social, competitive, political and legal, and technological. Companies cannot control these environments, but they must monitor the changes and trends in the respective environments and make changes in their marketing decisions (Reid & Bojanic 2006, 12).

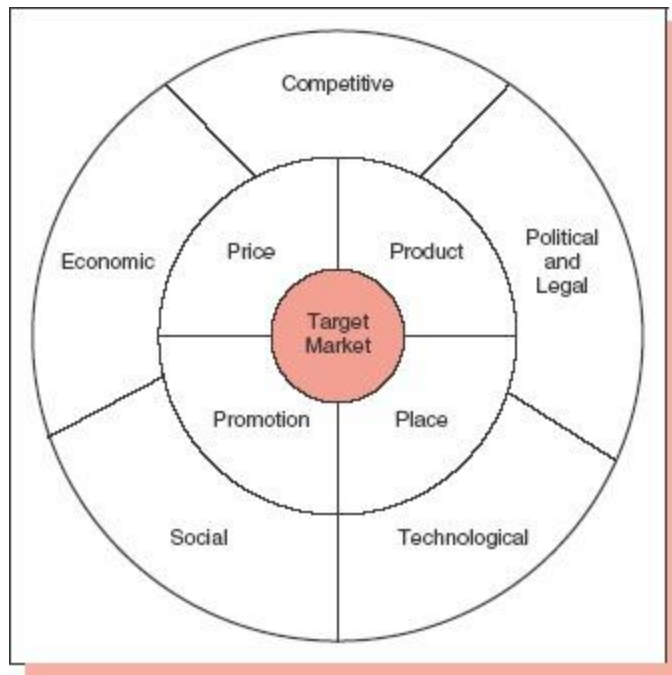


Figure 4. The marketing mix (Reid & Bojanic 2006, 11)

Hudson (2008, 15) suggests to expand the traditional view of the marketing mix in order to take into account the growing importance of service products. The **marketing mix for services** is the original four P's of the marketing mix along with three more components added to the traditional scheme: the people, the process, and the physical evidence. As in the case with the traditional marketing mix, the three new elements are within the control of the organization. These extra components can be explained as follows (Hudson 2008, 15-17):

- **People.** This component includes all human actors who take part in service delivery and thus influence the buyer's perceptions: the company's personnel, the customer, and other customers in the service environment. Therefore, there are serious considerations for the company in terms of personnel effectiveness and training. That is why the people element includes such activities as staff recruitment, motivating, and rewarding.
- **Process.** This component includes the actual procedures, mechanisms, and flow of activities by which the service is delivered to the customers. These activities can be illustrated by the service delivery systems such as administrative systems, data processing systems, and database management systems. Other procedures involve organizing and planning activities. In this case, the aim is for smooth, efficient, and customer-friendly activities designed with the customer's satisfaction in mind.
- **Physical evidence.** This component refers to the environment in which the service is delivered and where the organization and customer interact. It also involves any tangible components that facilitate performance or communication of the service.

In addition, some researchers believe that the traditional approach to the marketing mix does not apply to the hospitality industry. Therefore, Reid and Bojanic (2006, 19) suggest to implement a modified marketing mix. This **hospitality marketing mix** (Reid & Bojanic 2006, 19-20) consists of the following five components:

- **Product-service mix.** This component is a combination of all the products and services offered by the hospitality organization, including both tangible and intangible elements. For instance, it might involve such items as the type of room at the hotel, the amenities offered, and the broad range of elements proposed to the customer.
- **Presentation mix.** This component includes those elements that are used by the organization to increase the tangibility of the product-service mix as perceived by the consumer. Therefore, the presentation mix involves physical location, personnel, and atmosphere, such as lighting, sound, and color.
- **Communication mix.** This component involves all communication that takes place between the hospitality company and the customer. It includes advertising, marketing research, and feedback about customers' perceptions.
- **Pricing mix.** In addition to the actual price that the company charges, this component encompasses the consumer's perception of value. The pricing mix includes such variables as special offers and creating packages by offering several products or services for an overall discounted price.
- **Distribution mix.** This component includes all distribution channels, such as the Internet, available between the company and the target market.

As concluded by Reid and Bojanic (2006, 17), all the components of the marketing mix, whether designed within the traditional or modified hospitality or services model, should necessarily be integrated into the clearly stated marketing strategy that will appeal to potential customers and meet the goals of the company.

2.4 Promotion in hospitality business

The environment in which hospitality organizations operate is a highly competitive one. Therefore, the importance of various forms of promotion increases. As stated by Clarke and Chen (2007, 162), **promotion** is the process of stimulating demand for goods and services which the company offers.

The **promotional mix** describes a specific blend of promotional elements that the company uses to persuasively communicate customer value and build customer relationships

(Kotler & Armstrong 2012, 432). The promotional mix elements, or the major promotion tools typically include advertising, sales promotion, personal selling, public relations, and direct marketing, as shown in Figure 5. Combined together, these tools are able to deliver clear, consistent, and compelling messages about the company and its products.

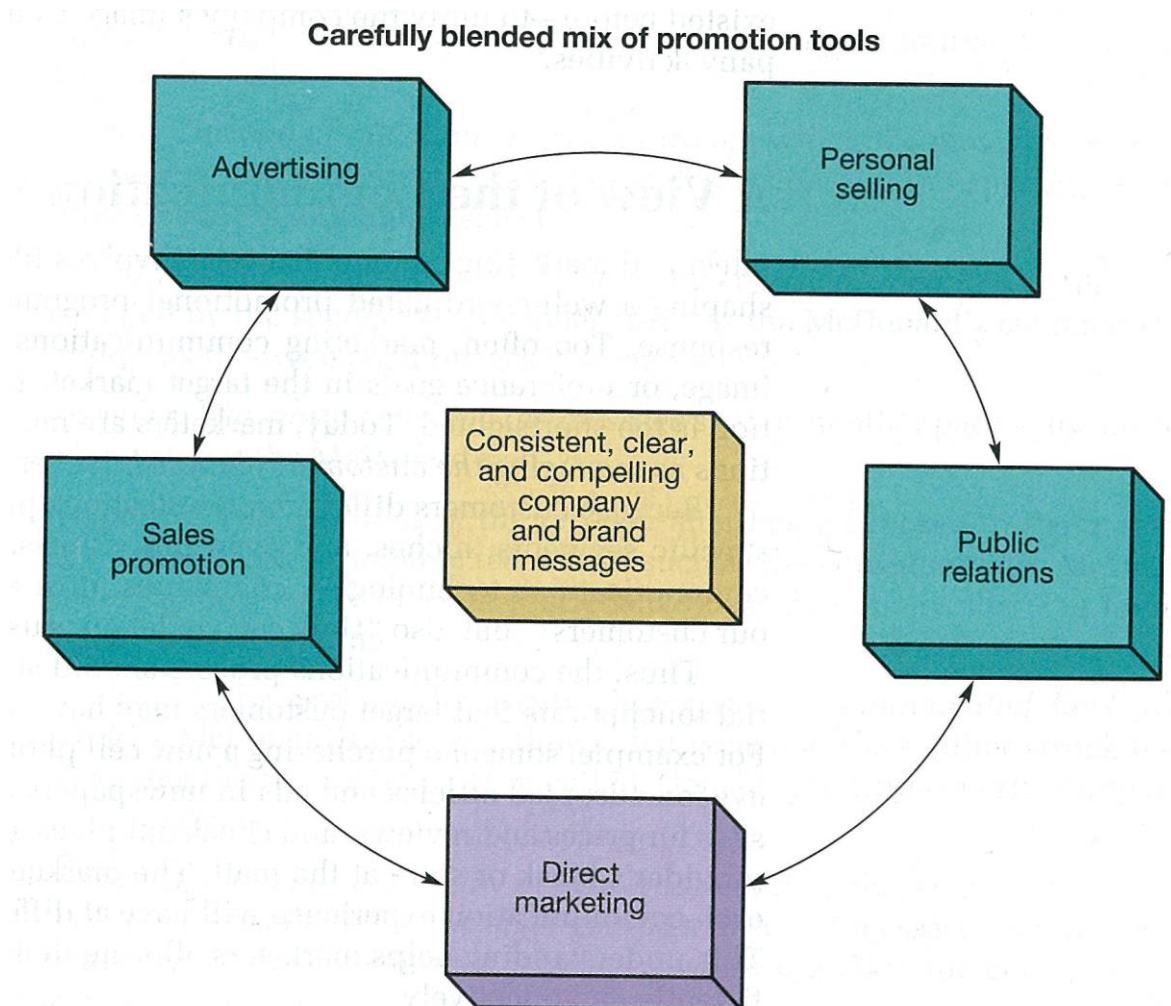


Figure 5. Elements of the promotional mix (Kotler, Bowen & Makens 2014, 385)

Similarly, Reid and Bojanic (2006, 373) underline the equal importance of all of the elements of the promotional mix. According to the **AIDA model**, which was first proposed by Strong (1925, in Hudson 2008, 256), the ultimate goal of all forms of promotion is to stimulate attention, interest, desire, and action. Further on, all of the five promotion tools will be examined in more detail.

2.4.1 Advertising

The American Marketing Association (AMA) defines **advertising** as “any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor,

using mass media to persuade or influence an audience.” (Hudson 2008, 263; Kotler & Armstrong 2012, 460; Reid & Bojanic 2006, 386.)

According to Reid and Bojanic (2006, 386-387), this definition can be broken down into four components:

- **Paid form** means that advertising time and space is paid for and completely controlled by the individual or group which is releasing the ad.
- **Non-personal** means that advertising is performed through the mass media channels without personal contact between the seller and the potential customer.
- **Promotion of ideas, goods, or services** means that advertising should not be restricted to the promotion of a tangible physical product. It may try to influence individuals to change their way of thinking or their behavior.
- **Identified sponsor** means that the individual or group which is putting out the ad should inform the audience who they are.

As numerous authors underline, advertising has both advantages and shortcomings. From one hand, advertising can effectively reach masses of geographically dispersed customers at a low cost per exposure (Reid & Bojanic 2006, 391). However, advertising is non-personal, as it carries on just a one-way communication with the audience, and the audience does not feel that it has to pay attention or respond (Kotler & Armstrong 2012, 448; Kotler et al. 2014, 398).

In the hospitality industry, the advertising messages can be presented through various media types, including **print media**, such as newspapers, magazines, and direct mail, **electronic media**, such as the Internet, and **support media**, such as outdoor advertising, brochures, and specialty advertising, which means using items bearing the company's name and logo (Reid & Bojanic 2006, 424-448). Table 1 contains the list of media vehicles, which Baltiya Hotel could use in order to reach the maximum amount of European customers.

Table 1. Profiles of major media types to attract international customers (Kotler, Bowen & Makens 2014, 413; Reid & Bojanic 2006, 421)

Media type	Advantages	Limitations
Newspapers	Short lead time for placing ads; flexibility; timeliness; good coverage; low cost;	Short life span; wasted coverage; clutter; poor reproduction quality; small pass-along audi-

	broad acceptance; high believability	ence
Magazines	High-quality reproduction; long life span; audience selectivity; high information content; credibility and prestige; good pass-along readership	Long lead time for ad placement; high production costs; lack of flexibility
Direct mail	High audience selectivity; flexibility; personalization; high information content; short lead time; easily evaluated; no ad competition within the same medium	High cost per contact; clutter; junk mail image
Internet (contextual advertising, etc.)	Audience selectivity; personalization; immediacy; interactive capabilities	Demographically skewed audience; relatively low impact; audience controls exposure
Outdoor	Low cost per exposure; high repetition; target location; low message competition	Wasted coverage; local legislation restrictions; long lead time; low audience selectivity; lack of flexibility; creative limitations
Brochures	High-quality reproduction; creativity; high audience selectivity; personalization; low cost per unit	Low information content; lack of flexibility; clutter
Specialty advertising	High retention; high audience selectivity; creativity; low cost per unit	Poor image; clutter

Kotler and Armstrong (2012, 471) note that media planners usually select several media types and blend them together in order to reach the target audience at the lowest cost. For this purpose, each medium's impact, message effectiveness, reach, and frequency should be considered. Therefore, an **advertising objective** can be defined as a specific communication task designed to reach a specific target audience during a specific period of time (Hudson 2008, 263).

Several authors (Kotler et al. 2014, 402) underline that media planners have to make five important decisions in developing a consistent advertising program. These decisions are represented in Figure 6.

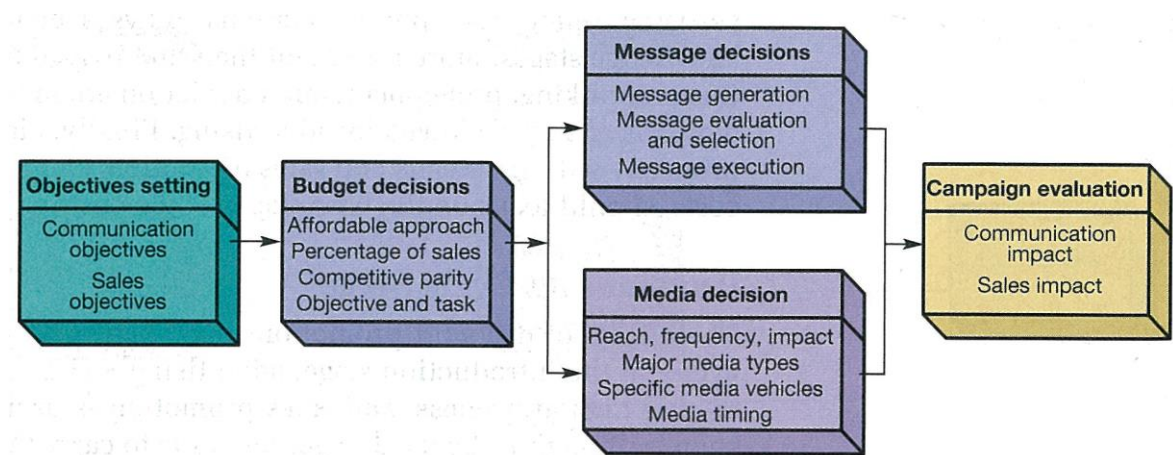


Figure 6. Major advertisement decisions (Kotler, Bowen & Makens 2014, 402)

Evaluation of the advertising program, including evaluation of the communication and sales impact of advertising, should be carried out on a continual basis (Hudson 2008, 275). The evaluation stage is significant not only because it establishes what a campaign has achieved, but also because it provides guidance on how future campaigns could be improved and developed. In addition, the media types selected for the campaign should be evaluated regularly, according to the changing situation on the market. (Kotler & Armstrong 2012, 471.)

2.4.2 Sales promotion

As stated by numerous authors, **sales promotion** is a technique that involves extra incentives in order to encourage the purchase of a company's product or service (Hudson 2008, 278; Kotler & Armstrong 2012, 432; Kotler et al. 2014, 382). Additionally, Taylor (2001, 33) notes that sales promotion implies sending the material to target customers when they are ready to make up their minds, so that it will receive the most favorable attention.

However, sales promotions are most effective as short-term inducements to purchase a particular product or service, as they are primarily focused on creating immediate customer response (Hudson 2008, 278; Reid & Bojanic 2006, 462). That is why the effects of sales promotions are usually short lived and this technique is not as efficient as long-term strategies (Kotler et al. 2014, 399).

As stated by Reid and Bojanic (2006, 460-461), sales promotions can be used by hospitality businesses for the following purposes: 1) to increase customer awareness; 2) to introduce new products and services; 3) to increase guest occupancy and customer counts; 4) to take measures against competitors' actions; 5) to encourage present guests to purchase more products or services; 6) to stimulate demand in non-peak periods.

In the hospitality business, examples of techniques that are used in sales promotions are as follows (Hudson 2008, 281; Reid & Bojanic 2006, 463-466):

- **Discounts**, or price reductions for a limited period of time, which can encourage trial purchases and therefore increase sales. For instance, a business-oriented hotel which is usually busiest from Monday to Thursday may also promote getaway weekends at discounted prices.
- **Combination offers or bundling** involve combining two or more products or services and offering them for a total price that is less than the cost of purchasing the components separately.
- **Coupons** are certificates that entitle customers to a reduced price on a product or service. These certificates can be distributed in newspapers, magazines, face-to-face, or through direct mail. The primary objectives for coupons are to stimulate trial purchases of the company's products and services, as well as to encourage multiple purchases and generate temporary sales increases.
- **Premiums** are extra gifts or merchandise that hotels can give away or sell to customers at a favorable price as an incentive to purchase a product. Premiums are used to attract new guests, to encourage more frequent visits by regular guests, and to create a positive word of mouth about the hotel. Examples may include items such as hats, glassware, and T-shirts bearing the company logo.

Reid and Bojanic (2006, 468) suggest that the ideas for the promotional campaign should be examined from two perspectives: the potential appeal to the target market and the potential sales increase in the light of the projected costs and expenses. As for the campaign evaluation, it has to include the following questions: whether the promotional campaign was progressing as planned; whether the level of customer participation was within the projected range; whether the staff members were working as planned. All the information collected should then be retained in order to be used in future promotional campaigns. (Reid & Bojanic 2006, 469.)

2.4.3 Personal selling

Personal selling is a promotion tool that refers to the personal communication of information in order to persuade a prospective customer to purchase either a product or service that satisfies that customer's needs (Reid & Bojanic 2006, 496). This tool is widely implemented by hospitality organizations, as the industry is still driven by personal relationships (Hudson 2008, 303).

The range of personal selling activities involves communicating with customers either face-to-face or by means of the telephone, including personal sales calls resulting from appointments and cold sales calls without appointments. Kotler and Armstrong (2012, 448-449) note that personal selling is the most effective tool at certain stages of the purchasing process, particularly in building up customers' preferences, convictions, and actions.

However, personal selling is quite costly, being the company's most expensive promotion tool. Experts underline that organizations spend up to three times as much on personal selling as they do on advertising (Kotler et al. 2014, 399). Besides, the company's sales force requires a longer-term commitment than does advertising, which can be turned up or down, but the size of a sales force is harder to change (Kotler & Armstrong 2012, 449).

2.4.4 Public relations

Public relations is a non-personal stimulation of demand for a product or service by providing commercially significant news about the product or service in a published medium or obtaining favorable presentation in a medium that is not paid for by the sponsor (Reid & Bojanic 2006, 373).

As stated by Morrison (2002, in Hudson 2008, 293), the three most important objectives of public relations in the hospitality industry are maintaining a positive public presence, handling negative publicity, and enhancing the effectiveness of other promotional mix elements. "In this third role, public relations paves the way for advertising, sales promotions and personal selling by making customers more receptive to their persuasive messages." (Hudson 2008, 293.) Therefore, a well-prepared public relations exposure combined with other elements of the promotional mix can be quite effective and economical (Kotler et al. 2014, 399).

Besides, Kotler and Armstrong (2012, 449) note that public relations can reach numerous prospective clients who tend to avoid salespeople and advertisements, as the message gets to customers in the form of news rather than as a sales-directed communication.

One of the public relations activities that is implemented by Baltiya Hotel is taking part in **travel exhibitions**, where many hospitality organizations represent their available products and services. As noted by Hudson (2008, 298), representatives working at the stand usually hand out brochures and business cards, as well as try to develop sales leads. They might also give away free samples or coupons.

In addition, social media has proven itself to be an effective way to reach thousands of target customers. Currently, most effective public relations campaigns use the Internet; websites and social networks such as YouTube, Facebook, and Twitter are providing new ways to reach more prospective clients (Kotler et al. 2014, 426).

2.4.5 Direct marketing

Direct marketing is a promotion tool, which allows businesses to communicate directly to carefully targeted customers to both obtain an immediate response and cultivate lasting customer relationships (Kotler & Armstrong 2012, 433; Kotler et al. 2014, 382). As stated by Hudson (2008, 313), direct marketing also has the following distinctive characteristics:

- **Personalization:** direct marketing provides an opportunity to personalize and tailor messages to appeal to specific customers.
- **Flexibility:** the contents of each message can be changed or corrected depending on the customer's response, and messages can also be delivered to specific geographic locations.
- **Measurability:** the company has an opportunity to measure the effectiveness of messages sent out to prospective customers in terms of converting inquiries into sales, costs per booking, response by market segments, and so on.
- **Low cost:** direct marketing methods generally enable to achieve relatively low costs per transaction.

According to numerous authors (Hudson 2008, 314-318; Kaplan 2012, 130-138; Kotler & Armstrong 2012, 525-532; Kotler et al. 2014, 508-509; Reid & Bojanic 2006, 439), direct marketing involves using the following media:

- **Direct mail**, in which the offer is sent to the prospective customer at a particular physical or virtual address. In the hotel business, direct mail pieces usually include e-mails describing room and meeting facilities to potential customers. In addition, direct mail can be used to promote special events, such as holidays or special packages, as well as to offer promotional discounts.
- **E-mail marketing**, which involves sending marketing messages such as offers, announcements or reminders through e-mail.
- **Telemarketing**, which involves using the telephone in order to reach prospective customers.
- **Mobile marketing**, which involves using a mobile device, such as a cell phone, smartphone, or tablet. The major mobile marketing tools include SMS and MMS services, as well as smartphone-based mobile applications and mobile social networks, such as Foursquare and Instagram.
- **Online tools**, which include efforts to promote the company's products and services and build customer relationships over the Internet. Examples of online tools can be the company website, as well as social networks such as YouTube, Facebook, and Twitter.

As the company website is one of the primary tools that Baltiya Hotel could implement in order to establish immediate contact with its target markets in Europe, the question of making it consistent should be discussed in more detail. Researchers underline the following characteristics of a successful hotel website:

- **Attractive content** with eye-catching pages is an essential element for a comprehensive website (Beirne and Curry 1999, in Hudson 2008, 337). This way, the corporate message will be transmitted more effectively.
- **Interactivity** is also an imperative, as customers not only search for information, but expect interaction and entertainment as well (Schwartz 1998, in Hudson 2008, 337). Interactivity can be provided either by offering virtual tours of the property, or by publishing live videos (Hudson 2008, 337; Rodgers 2015).
- **Multilingual capability**, which is the ability to offer information about the property and its online services in several languages, is highly important if the hotel holds an international presence (Hudson 2008, 339).
- **Navigation** should be easy to understand; the navigation instructions on the home page have to be made comprehensive and clearly indicate the way customers can find important information, such as rack rates, special offers, and so on. Such instructions should be put on each subsequent page, so that customers can see immediately how to take the next step. (Taylor 2001, 140.)

- **Quick download** of the home page is critically important, so that graphics need to be minimized. Besides, the company's web host should provide a fast connection to the Internet. The matter is that most customers will not wait for a page that takes a long time to download. Instead, they will just move on to the company's competitors. (Sinclair 2006, in Hudson 2008, 340.)
- **Easy booking procedure** is also an essential component, as a large number of customers abandon a website in the middle of the booking process, if it is too time consuming and complicated (Sinclair 2006, in Hudson 2008, 340).
- **Testimonials from satisfied customers** can have a huge impact on the company's level of sales. On the web, a key priority is to build credibility (Sinclair 2006, in Hudson 2008, 340).

2.5 The importance of branding

As stated by Keller (2008, 2), it is often necessary for a company to distinguish its products and services from those of competitors. Accordingly, Hudson (2008, 160) notes that **branding** is a method of establishing a distinctive identity for a product based on competitive differentiation from other products.

The American Marketing Association (AMA) proposed the following definition of a **brand**: "A name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." (Clarke & Chen 2007, 164; Keller 2008, 30; Kotler & Armstrong 2012, 255; Kotler et al. 2014, 260; Reid & Bojanic 2006, 262).

Therefore, a brand involves different components which are called **brand elements**.

These components serve to identify and differentiate the brand (Keller 2008, 42). As stated by numerous authors (Johansson & Carlson 2015, 87; Keller 2008, 156-159; Reid & Bojanic 2006, 262-264), examples of the main brand elements are as follows:

- A **brand name**, which is the part of the brand that consists of the words or letters that can be used to identify the company. To establish a brand name, the following criteria are suggested:
 - easy to pronounce, recognize, and remember
 - describes the benefits of the product or service
 - can be translated into foreign languages
 - distinctive and capable of legal protection.

- A **brand logo**, which is a graphic mark or symbol that is used to identify the company's product or service. Logos are meant to provide a visual representation of the brand and can be easily recognized. Therefore, logos can help to make the abstract nature of hotel services more concrete.
- A **brand slogan**, which is a short and memorable phrase that communicates descriptive or persuasive information about the brand. Slogans can help customers to grasp the meaning of the brand and to understand what makes it special.

Brand elements are chosen to enhance brand awareness, facilitate the formation of strong, favorable, and unique brand associations, as well as elicit positive brand judgments and feelings (Keller 2008, 140; Keller et al. 2008, 128). In general, there are six criteria for choosing brand elements (Keller 2008, 141; Keller et al. 2008, 130):

- **Memorability**: easily recognized, easily recalled.
- **Meaningfulness**: descriptive, persuasive.
- **Likability**: fun and interesting, visually and verbally attractive, aesthetically pleasing.
- **Transferability**: within and across product categories, across market segments, across geographic boundaries and cultures.
- **Adaptability**: flexible, updatable, easily given a new look or a new design.
- **Protectability**: protectable both in a legal and a competitive sense, not too easily copied.

According to numerous authors (Keller 2008, 9; Kotler and Armstrong 2012, 256), branding can benefit the customers in the following ways:

- **Simplifying decision-making**, as branded products can be easily identified. If customers recognize a brand, they usually spend less time making a purchase decision. Besides, a brand is perceived as a signal of a certain level of quality, so that satisfied buyers can easily choose the product again.
- **Reducing risks** to receive the unquality service, as brands are usually seen as signals of a certain level of quality and consistence. That is why customers often stick to various brands with which they have had favorable past experiences.

Branding also provides the following benefits to the organizations (Keller 2008, 34-36):

- **Ensuring predictability and security of customer demand** due to the customer commitment to the brand.

- **Enhancing financial returns**, which, in turn, creates greater value for shareholders.
- **Helping to segment markets**, as a brand does not represent just one general product for all customers.
- **Securing the competitive advantage**, as the company's brand name and trademark provide legal protection for unique product features that otherwise might be copied by competitors.
- **Creating barriers of entry** that make it difficult for other businesses to enter the market.

All in all, branding can be a critical component of the marketing strategy for a hospitality organization. If properly managed, brands have the potential of increasing sales, profitability, and customer satisfaction (Reid & Bojanic 2006, 262).

2.6 Leisure and business customers: critical distinctions

Both leisure and business customers are sought-after segments for Baltiya Hotel. However, these main two types of travellers have obvious distinctions, including different characteristics and expectations. Therefore, leisure and business customers should be approached in different ways.

Leisure travellers are usually the ones who travel exclusively for vacation (Hotelgenius.co 2015). This type of customer can be characterized in the following way:

“Depending on their age group and financial status, their preferences might differentiate a bit, but in general, leisure travellers share common characteristics when it comes to choosing a hotel. In fact, if you want to attract the leisure traveller, you have to promote the comfort of your room, the great views, the recreational activities, the relaxing environment, and so on. Now, it is up to you if you want to be more specific and target a smaller group of leisure travellers, such as families, couples, students, etc. The main point here is that in order to attract leisure travellers, you have to focus on relaxation and comfort.” (Hotelgenius.co 2015.)

Business travellers are the ones whose expenses are paid by businesses they work for (Pender 2005, in Marin-Pantelescu 2011, 73). They are mostly looking for convenience, which means easy access to work-related aspects (Hotelgenius.co 2015). Therefore, convenient location is usually the main criterion for choosing their accommodation, which may include ease of transportation, transportation costs, and distance from meetings or office. According to Jones (2002, in Clarke & Chen 2007, 72), business customers also demand broadband Internet connection and bedrooms upgraded to provide more workspace. Clarke and Chen (2007, 73) underline that fast check-in and check-out procedures are

basic while necessary services for business customers. Such travellers will probably be interested in laundry services as well (Hotelgenius.co 2015).

Jones (2002, in Clarke & Chen 2007, 72) points out that business hotel market is valuable to hotels not only because business customers can afford high average room rates, but they have high food and beverage spends, which will bring in greater profits to the hotels than other markets. Moreover, business demands are concentrated on different times to leisure travellers. Business customers usually use hotels during the working week, with March to May and September to December being their peak seasons, which is a very different profile from that of leisure customers. (Clarke & Chen 2007, 72.)

All in all, distinguishing between leisure and business customers allow hospitality operations to be more specific and consequently more effective when planning promotional campaigns that aim to attract more guests to the property (Hotelgenius.co 2015).

3 Situation assessment

3.1 Saint Petersburg hotel market performance overview

Saint Petersburg has been one of the world's most attractive destinations due to its significant historical and cultural heritage. The city registered over 3 100 million of foreign visitors in 2013, up of 7 per cent from 2012 (Euromonitor International 2015). In 2015, Saint Petersburg has been named a top European travel destination by the World Travel Awards (Frontdesk.ru 2015b; JLL 2015c, 2). The city offers a wide range of accommodations from midscale independent hotels and hostels to large international chains including the luxury boutique segment and upscale brands. As statistics show, there are approximately 637 hotels currently functioning in Saint Petersburg, of which 12 are five-star, 32 are four-star, and 51 are three-star hotels respectively. Besides, there are 34 economy class hotels, 38 hostels and 455 mini hotels with the total number of rooms no more than 50. All in all, local hotels can accommodate up to 50 thousand visitors. (Arentspb.ru 2015.)

The major international hotel chains in Saint Petersburg are represented by numerous brands. Belmond, Rocco Forte Hotels, Four Seasons, Kempinski, and W Hotel belong in the luxury segment. Corinthia, Hilton, Marriott, and Radisson Blu represent the upper upscale segment. Crowne Plaza, Hotel Indigo, Novotel, Sokos, and Staybridge Suites represent the upscale segment. Domina Hotel, Holiday Inn and Park Inn belong in the upper midscale segment. Finally, Ibis represents the midscale segment respectively. (Ernst & Young CIS B.V. 2014; STR Global Chain Scales 2015; Saint-Petersburg.com 2015.)

According to the survey jointly undertaken by Christie + Co and STR Global (2011, 3), the demand for hotel accommodation in Saint Petersburg is mainly leisure driven and hotels usually experience high demand levels during the summer months. Numerous tour groups visit the city between May and August arriving either by air, sea or increasingly from Finland by rail. As for corporate travellers, they represent approximately 40 percent of the total demand. The meeting and conference segments remain, however, underdeveloped in Saint Petersburg, despite good facilities available. (Christie + Co & STR Global 2011, 3.)

As for the current situation in the city's hotel market, it has become far more complicated than it was in previous years. Economic instability, as well as political unrest have had an undesirable impact on international tourist arrivals in Saint Petersburg. Nevertheless, the situation is gradually stabilizing. Aggressive marketing campaign promoting the city in in-

ternational markets has fostered positive dynamics of tourist arrivals in 2015, despite the difficulties relating to the current geopolitical situation (ProHotel 2015c). Accordingly, the first quarter of 2016 showed steady growth in operating performance of most hotel market segments of Saint Petersburg (JLL 2016).

Starting from June 2014, the overall hotel occupancy rate began to decline and was already 70 percent by September. In December 2014, it dropped to 65 percent, and in the beginning of 2015, it hardly reached 60 percent (ProHotel 2015b). In addition, the occupancy rates fell further to 5-7 percent in the first quarter of 2015 (ProHotel 2015a). However, a solid rise by 20 percent compared to 2014 has become obvious in the third quarter of 2015 (JLL 2015c, 2).

If to consider various hotel types, it can be stated that the occupancy of large four-star hotels fell 15-20 percent on average in the first quarter of 2015, and mini hotels represented even a 40 percent decrease, so that the owners began to think seriously of selling their businesses. Starting from January 2015, over 80 mini hotels were noticed to be on sale each month (ProHotel 2015a). Nevertheless, the upper upscale segment displayed a stable growth. According to the research prepared by JLL, the occupancy of these hotels increased by 29 percent in the first quarter of 2015 (JLL 2015b, 3). This growth was caused by prosperous domestic tourists who did not have a willingness to go abroad, preferring to travel actively around Russia (ProHotel 2015a). As for the third quarter of 2015, all segments except luxury have displayed the growth in occupancy of over 80 percent (JLL 2015c, 2; JLL 2016). The upscale segment has even seen an impressive 90 percent result by the end of August (Frontdesk.ru 2015c; JLL 2015c, 3).

All in all, there are several new trends recently observed in the hotel market of Saint Petersburg. The number of leisure tourists from Japan, as well as business customers from China and other Asian countries is steadily growing. According to ProHotel experts, over 18 000 tourists from China have visited the city between January and June 2015, which is a 252 percent increase compared to 2014, when the number of Chinese tourists hardly reached 7 188 people (ProHotel 2015c). The number of visitors from Finland has also been increasing since 2014 (Colliers International 2015a, 2). Besides, tourists from Spain are actively visiting the city. The matter is that the Spanish are much less politically oriented than other Europeans. Additionally, they seem to be attracted by relatively low prices offered by Saint Petersburg hotels (ProHotel 2015a).

However, these tendencies cannot fully compensate the massive outflow of European tourists from the city's hotel market. According to the Russian Union of Travel Industry, the European tourist inflow decreased by 11,8 percent and the overall foreign tourist inflow fell by 20 percent in 2014 (Colliers International 2015a, 2; ProHotel 2015a). According to experts (ProHotel 2015a), the largest outflow was registered among visitors from Poland (27 percent decrease), Germany (24 percent decrease), the United States (20 percent decrease), and Great Britain (15 percent decrease). As Colliers International underline, the tourist inflow from the United States had almost come to naught by the end of 2014, which had led to significant losses in room sales for those hotels, which were specifically oriented toward this type of guest. Meanwhile, hotels aimed at mostly domestic and Asian customers had faced less pressure (ProHotel 2015a).

Nevertheless, the situation gradually began to stabilize in 2015. The number of German visitors between January and June 2015 amounted to 31 thousand people, compared to no more than 5,6 thousand in 2014. Besides, the significant increase in arrivals from Italy was also registered (ProHotel 2015c). However, as stated by the Association of Tour Operators of Russia (ATOR), the inbound tourism flow will fully restore its growth no earlier than in 2 years (ProHotel 2015d). According to experts, Russia's international tourist numbers dropped by 40 percent during the peak season of 2015, compared to the pre-crisis year of 2013. Meanwhile, a slight increase compared to 2014 was certainly observed (ProHotel 2015d).

All in all, the current situation reinforces the importance of domestic tourism to the hotel market of Saint Petersburg. Presently, the vast majority of Russian citizens rarely travel to other countries due to the rising costs of going abroad, but eagerly explore their own home country, particularly considering Saint Petersburg as one of the key domestic destinations (Colliers International 2015a, 2; JLL 2015a, 2; ProHotel 2015a). Therefore, domestic tourist flow in 2015 increased by 20-30 percent compared to the previous year (Colliers International 2015b, 2; ProHotel 2015c). Furthermore, a number of four-star chain hotels have launched specialized discount programs aimed to further attract domestic clientele (ProHotel 2015a).

Another important, yet undesirable trend in the hotel market of Saint Petersburg is reflected in newly released projections. The matter is that investors massively postpone construction and opening of new hotels in the city (Frontdesk.ru 2015a). Presently, eight hotels with over 1 600 rooms are under construction in Saint Petersburg (Colliers International 2015b, 1). This volume, however, is expected for delivery no earlier than in 2016-

2018, as the opening dates had been postponed (Frontdesk.ru 2015a). This is apparently due to the rising costs of finishing materials, furniture and equipment for hotels, as a result of the national currency depreciation, hence the subsequent rise in prices of imported goods and materials (Colliers International 2015a, 1). Consequently, there were no new hotels being opened in Saint Petersburg during the first three months of 2015 (Colliers International 2015b, 1; Frontdesk.ru 2015a; JLL 2015b, 2). The opening of two new Hilton hotels (which are Hilton and Hampton by Hilton) has already been postponed to 2016 (Frontdesk.ru 2015a). A second Holiday Inn hotel's official opening is planned for no earlier than 2018 (Frontdesk.ru 2015d). Moreover, Colliers International report the following:

"We expect certain changes to the locations of new hotels and a decentralization of the market, as the city authorities have been actively cancelling investment agreements for the leasing of land for hotel construction that had been obtained in the last 6-8 years. Thus, in the long-term perspective, we will face a lack of new quality hotel supply in the historical center of the city." (Colliers International 2014, 2.)

Further on, according to the survey provided by ProHotel experts (2015b), one of the highest occupancy rates during 2015 would be in the hands of those hotels that were rated three stars or lower. Indeed, the hotels belonging to lower price segments showed quite impressive occupancy results of 80-85 percent, while maintaining strong pricing positions. These figures are probably the result of significant growth in domestic demand and group tourism from Asian countries, as many of these travellers are interested in inexpensive accommodation. (JLL 2016.)

In particular, last year became a favorable time for hostel development (Colliers International 2015b, 2). Analytical data indicate that the costs of running hostels remained unchanged despite sharp ruble depreciation. In addition, the break-even point for this type of accommodation is much lower than for the luxury segment, making up 55-60 percent. Therefore, during the summer 2015, Saint Petersburg hostels were expected to achieve 80-85 percent occupancy rate (ProHotel 2015b). For this reason, the current plans of investors regarding some new midscale hotel openings remain unchanged, and the new Aloft project announced by Starwood Hotels & Resorts Worldwide is planned to open its doors in Saint Petersburg no later than 2017. The two main aspects of Aloft brand are low room prices and the overall contemporary style (HotelNews.ru 2015).

Apartment hotels represent another economical option, which is gaining recognition among domestic and international visitors (Colliers International 2015b, 1). As reported by experts (Hotelier.PRO 2016), the construction of a huge Vertical aparthotel is likely to be

started at the end of 2016. A two thousand-room hotel will be located in the southern part of the city. The new property is expected to become one of the largest hotels in Russia and Europe, and the largest one in Saint Petersburg. The target market of Vertical Hotel will comprise of business travellers, students, and sportsmen. Interestingly, although initially designed either for long-term or mid-term stays, Vertical Hotel has been also marketed as a suitable option for short stays (Colliers International 2015b, 1). The operation is supposed to accommodate three restaurants of different categories, an ample fitness club with a swimming pool, a wellness center, a conference venue, a self-service laundry, and a supermarket. (Hotelier.PRO 2016.)

Furthermore, as observed by Colliers International (2015a, 2), visiting Russia has obviously become more affordable for international tourists due to the national currency devaluation against the euro, the British pound, and the US dollar. Therefore, according to the company estimates, the inbound tourist traffic will increase when the situation stabilizes. The mentioned factor is clearly expected to have a positive impact on the hotel market of Saint Petersburg over the next 2 years. Significant effects of this trend were reported to appear more likely in 2016. (Colliers International 2015a, 2.)

3.2 PEST analysis

PEST is an acronym for political, economic, social, and technological factors (Clarke & Chen 2007, 105). This type of analysis will help to describe a framework of external factors, which might affect the situation in the hotel market of Saint Petersburg in general, as well as the overall performance of Baltiya Hotel in particular. It should be pointed out that these macro environment factors are usually out of control of a business, and hence often require changes in operating, management, and marketing (Makos 2014).

Political factors strongly affect any marketing decisions that are made by the company. Political forces cover the range of governmental and legislative issues that affect the industry. Hudson (2008, 28) underlines that political environment is made up of government agencies and pressure groups that obviously influence and limit the activities of various organizations. Therefore, governmental policies can have a far-reaching impact on the hospitality industry, either positive or negative. In addition, consideration should be given to the level of political stability, within the country and within the region (Clarke & Chen 2007, 107).

Economic factors include the inflation rates, exchange rates, and so forth, as well as price changes, which can significantly affect the hotel market (Hudson 2008, 27). The lev-

el of unemployment might also be taken into account (Clarke & Chen 2007, 111). The economic forces faced by an organization have a considerable impact on how a business will carry out its operations in the future (Makos 2014). Hudson (2008, 27) also points out that economic factors greatly influence consumer purchasing power and spending patterns. As stated by the author, "Total purchasing power depends on current income, prices, savings and credit, so marketers must be aware of major economic trends in income and of changing consumer spending patterns."

Sociocultural factors greatly affect the hotel market as well. These factors include different cultural and demographic aspects of society that form the external environment of an organization (Makos 2014). Understanding the cultural environment is essential for maintaining favorable business conditions. As stated by Hudson (2008, 29), "This cultural environment includes institutions and other forces that affect society's basic values, perceptions, preferences, and behaviors. Cultural values influence consumer behavior, and marketers tend to concentrate on dominant cultural values or core values."

Technological factors are the most dramatic forces shaping the future of tourism and hospitality (Hudson 2008, 28). Further on, the author touches upon the following facts:

"The accelerated rate of technological advancement has forced tourism organizations to adapt their products accordingly, particularly in terms of how they develop, price, distribute, and promote their products. Technology facilitates the continual development of new systems and features that improve the tourism product. It has allowed for extra security in hotels and resorts, thanks to security systems and safety designs. It has also created new entertainment options for travellers, such as in-room movies and video games. Increasingly, hotels and even airplanes are offering Internet services to cater to the technological needs of today's consumer." (Hudson 2008, 28.)

Therefore, if an organization does not look out for technological changes, it can lag behind its competitors (Makos 2014).

Table 2 illustrates the way PEST analysis can be drawn up, according to the current situation.

Table 2. PEST analysis (adopted from several sources)

Political factors
<ul style="list-style-type: none"> • Unstable political situation in the country obviously casts a shadow over the Saint Petersburg hotel market performance. The sanctions regime targeting Russian business, along

with increasingly frosty relationship with the Western countries are seriously damaging Russia's overall image and attractiveness.

- The mentioned issues severely impact Russia's trade and investment scores, as well as crime and security: the ongoing risk of terrorism and high crime levels have become an obvious fact. The country's Crime and Security risk score is not just well below the global average, but it also places Russia in a very uncompetitive position regionally. The score of 43,4 ranks the country 25 out of 31 Emerging Europe states (BMIResearch 2015). Saint Petersburg is considered a relatively safe city for travellers; however, petty crime, such as pick pocketing, robbery and ATM fraud are the most likely crimes to be experienced by both business and leisure tourists.
- Complex geopolitical situation has led to significant decrease in international tourist arrivals, primarily concerning travellers from Europe and the USA. Still, the amount of visitors from Asia is steadily increasing. However, these fail to cover the decrease in revenue caused by the above-mentioned reduction, as Asian tourists spend a third less on accommodation services (Dzhandzhugazova, Zaitseva, Larionova & Pervunin 2015, 291). On the other hand, the volume of internal tourism has raised significantly. Native travellers currently represent the largest part of hotel customers in Saint Petersburg. Saint Petersburg has become the main sightseeing direction of Russia. (Dzhandzhugazova et al. 2015, 293.)
- In 2015, Saint Petersburg has been named the best European travel destination at the World Travel Awards (Frontdesk.ru 2015b; JLL 2015c, 2).
- The Government of Saint Petersburg is taking various measures aimed at promoting the city and attracting new tourists. In particular, the Tourism Development Committee of Saint Petersburg holds professional working meetings and presentations of the tourist programs and hospitality services within the road show "Welcome to Saint Petersburg" aimed to support the hotel business and tour operators (Administration of Saint Petersburg 2015).
- Visa-free trips to Russia are still possible. Tourists from the EU, the USA and the UK can travel to Saint Petersburg for up to 72 hours without a visa on cruise ships (on the condition that one is sleeping on the ship and is accompanied by an authorized tour guide) and on ferries from Helsinki and Tallinn (Saint-Petersburg.com 2015b). In addition, the Association of Tour Operators of Russia (ATOR) has already forwarded an appeal to the Ministry of Foreign Affairs, suggesting cancellation of entry visas for organized tourist groups coming from Greece, Italy, and Spain (ProHotel 2015d).

Economic factors

- Deteriorating economic situation in the country makes obvious impact on the hotel market of Saint Petersburg. Oil prices across the world are tumbling, causing the ruble to collapse and international investors to sell off Russian assets (Hotel Management International 2015).
- Decrease in investment activity in the hotel market of Saint Petersburg and massive out-flow of investors has become obvious, impacting the tempo of running of new objects (Dzhandzhugazova et al. 2015, 294). Although major international hotel chains are still present in the market, a number of projects have been put on hold until the economic situation becomes clearer (Hotel Management International 2015).
- Real GDP had declined by 5,2 percent in 2015, and in June 2015 the country scored just above the global average at 53,7 out of 100 in BMI's Operational Risk Index, which placed it 17th out of 31 emerging Europe states. The second consecutive real GDP contraction of 1,2 percent is expected in 2016, followed by only a modest recovery to 1,5 percent growth in 2017. (BMIResearch 2015.)
- The ruble rate declines and inflation increases. The annual inflation rate had increased to 15,8 percent in August of 2015 from 15,6 percent in the previous month (BMIResearch 2015).
- High inflation rate has negatively affected consumer purchasing power within the country, resulting in the reduction in private consumption (BMIResearch 2015).
- Due to decrease in income of Russian citizens, the volume of internal tourism has raised by 40-45 percent during the period of the ruble decline; most Russians have preferred vacation in their home country than abroad (Dzhandzhugazova et al. 2015, 293).
- The prices on imported goods have increased dramatically.
- Mass bankruptcy of tour operators has become obvious.
- Decline in demand for hotel services has been officially registered, causing deterioration in the financial position of hotel enterprises. Falling profitability has been provoking a lot of stress. (Dzhandzhugazova et al. 2015, 294.)

- Midscale hotels had the best operating results in the first two quarters of 2015 (Dzhandzhugazova et al. 2015, 292; JLL 2015b, 3-4; JLL 2016; ProHotel 2015b). However, the upscale segment became the undisputed leader at the end of the third quarter 2015, displaying a strong bottom line performance (Frontdesk.ru 2015c; JLL 2015c, 3).
- The significant part of problems of the hotel business in Saint Petersburg is related to the labor resources. Despite the increasing role of service sector in the local economy, the prestige of working in the hospitality area is still not high. The level of salary is relatively low. Therefore, the question of how to hold available hotel staff in the conditions of limited benefits definitely arises. Employers have been facing fast turnover of staff in the hotel field, especially among room stock and catering services, which obviously affects the quality of services provided to customers. Current situation will require certain rearrangement of the common direction of management and marketing in the hotel field. (Dzhandzhugazova et al. 2015, 293.)
- Tourism graduates do not usually want to work in the hospitality field, as the prestige of working in the hospitality area is not high and the level of salary is relatively low. Thus, a significant part of the state budget is spent on the staff training for other industries. (Dzhandzhugazova et al. 2015, 295.)

Sociocultural factors

- The global demographic changes should be considered. The baby boomer generation worldwide is retiring. As stated by Hudson (2008, 26), the over-fifty segment, sometimes referred to as the maturing market, makes up nearly 30 percent of many Western countries, and this market has a keen interest in travel and leisure services. Besides, aged people also form the wealthiest segment of society, and this will have a positive impact on the travel industry (Hudson 2008, 429). Therefore, the number of older consumers from foreign countries in the hotels of Saint Petersburg is expected to increase. However, this segment might also require special amenities, such as extra help with transportation, baggage, and so on (Hudson 2008, 429).
- Changing lifestyles and standards of living have brought a number of social and cultural changes around the world, including European countries. As the living costs are increasing, people prefer relatively inexpensive products and services accompanied with highest standards of value for money. These changes influence the hospitality sector around the world, and Russia is not an exception. Following are certain key thinking patterns that influence consumers' behavior and decision-making (The WritePass Journal 2012):

- preferences to strong-branded products
- high value for money
- easy accessibility
- responsiveness to customer demand
- online and centralized reservation systems
- variable room rates
- safety and security
- quality standards
- customer feedback.

In addition, Hudson (2008, 65) points out two more important key consumers' demands, such as convenience and speed.

- The role of social media is increasing. TripAdvisor has become one of the main sources of information for travellers researching holidays, hotels and leisure facilities. Meanwhile, newer social tools, such as Facebook and Twitter, are becoming just as influential (McIndoe 2013). Numerous firms are creating dialogues with consumers via online social networks. In addition, companies launch their own blogs, online communities, or consumer-generated review systems, all with the aim of engaging customers on a more personal, interactive level. (Kotler & Armstrong 2012, 41.)
- Changes in lifestyles of population within Russia are widely noticed; adapting of European tendencies (westernization) has become obvious.
- Responsible tourism has emerged as a significant trend in the European world (Hudson 2008, 62). The "green" and "ethical chic" consumers have appeared, who are highly concerned with social and environmental costs of the brands (Makos 2015). Clarke and Chen (2007, 132) point out that travellers are starting to use evidence of environmentally sound behavior as a selection criterion for their lodging facilities. Therefore, hospitality marketers must also have an understanding of the principles of sustainable tourism. Butler (1993, in Hudson 2008, 438) describes sustainable tourism development as "tourism which is developed and maintained in an area in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and well-being of other activities and processes." Hotels have to be aware of these trends.
- Healthy eating has become a widespread trend. The issue of health and healthy eating

has permeated every aspect of food preparation and menu development (Clarke & Chen 2007, 109).

- As many authors underline, potential hotel employees in Russia (and in Saint Petersburg in particular) possess professional, but not personal competence. Such qualities as the ability to smile sincerely and in time, to find the way out of conflict, sociability and stress-resistance are still in a shortage. (Dzhandzhugazova et al. 2015, 295.)
- Low efficiency of management at all levels is one of the key issues in the hotel business of Saint Petersburg. As stated by the industry professionals (Dzhandzhugazova et al. 2015, 295), “A modern hotel chief (from the line to the top manager) is downloaded with routine, solving of the problems with infrastructure, answering the inspector’s claims, etc. Recruiting the managing staff, the hotel owners point to such core competencies as: the ability to set ambitious goals and achieve them, enthusiasm, activity, and other qualities that are important for any leader. Still, the prose of life is that not always these merits prove to be in demand. In the network business, the management system is based on the strict compliance of the norms and standards of the network. As a result, proactive and energetic employees lose motivation, adapting to routine. It reflects on the quality of their work and efficiency of the decisions.”

Technological factors

- The growth of the Internet has become a worldwide phenomenon (Clarke & Chen 2007, 119; Kotler & Armstrong 2012, 50). In particular, the number of Internet users in Russia has reached 82 million in the first quarter of 2015 (TASS 2015).
- Implementation of latest development in IT helps to maintain smooth functioning of hotel operations.
- The way of communication in the hospitality industry of Saint Petersburg is changing towards web-based technologies. Many local hotels are attempting to create pleasantly looking and interactive websites featuring up-to-date online reservation services.
- Hospitality organizations worldwide begin to realize the potential of database management (Hudson 2008, 28). According to Kotler and Armstrong (2008, 124), internal databases are electronic collections of customer and market information obtained from data sources within the company network. As a rule, databases of customers are being maintained in order to send messages regarding new product offerings or promotional campaigns.

- New electronic distribution methods have resulted in the growth of international reservation systems (Kotler et al. 2014, 353).
- Benefits of the emerging mobile wave have also become obvious. The use of mobile applications for smartphones and tablets is also providing a solid platform for advertisement and awareness campaigns.
- The innovations of media means and multimedia skills contribute to the hospitality industry's development (Clarke & Chen 2007, 328).
- Wi-Fi capabilities in the premises of hotels are enhancing the overall consumer experience.
- Up-to-date security systems such as video surveillance and fire safety systems are widely implemented.

3.3 SWOT analysis

SWOT is an acronym for strengths, weaknesses, opportunities, and threats (Clarke & Chen 2007, 97). This type of analysis is conducted in order to evaluate a company's overall situation (Kotler & Armstrong 2012, 77; Kotler et al. 2014, 111). According to Hudson (2008, 92), SWOT analysis is a technique that provides scope for an organization to list all its strengths, weaknesses, opportunities, and threats. In other words, SWOT analysis helps to identify points a company fulfills at its best, its positive product features and opportunities for further development, as well as problems that affect and threaten its success.

Strengths are the basis of corporate positions that give a company an advantage over competitors. Strengths include capabilities, resources, and positive situational factors that may help a company serve its customers and achieve its objectives (Kotler & Armstrong 2012, 77; Kotler et al. 2014, 111). These can also be promoted to potential customers and enhanced with the time (Hudson 2008, 91). In turn, **weaknesses** are characteristics that usually place a business at a disadvantage relative to competition. Weaknesses include limitations and negative situational factors that may interfere with a company's performance (Kotler & Armstrong 2012, 77; Kotler et al. 2014, 111). These may be subject to management action designed to minimize their impact or to remove them where possible

(Hudson 2008, 91). It is important to underline that strengths and weaknesses are always internally focused (Clarke & Chen 2007, 97; Hudson 2008, 91; Kotler & Armstrong 2012, 78; Kotler et al. 2014, 111). Further on, **opportunities** are events that can have positive effects on business, helping it to explore new frontiers or improve its existing weaknesses. In other words, opportunities are favorable factors or trends in the environment that a company may be able to exploit to its advantage (Kotler & Armstrong 2012, 77; Kotler et al. 2014, 111). **Threats** are those elements that can have a serious negative impact on a business. These are current and emerging unfavorable factors or trends that may present challenges to performance (Kotler & Armstrong 2012, 78; Kotler et al. 2014, 111). According to various authors (Clarke & Chen 2007, 97; Kotler and Armstrong 2012, 78; Kotler et al. 2014, 111), both opportunities and threats are always focused externally. Still, Hudson (2008, 92) argues that opportunities and threats are focused both internally and externally, emphasizing that these factors can affect a business either through its reaction to external forces or through its addressing of its own weaknesses.

Therefore, Clarke and Chen (2007, 97) underline one of the most important distinctions between strengths and weaknesses and the opportunities and threats. This is the extent to which managers of an organization can influence them. Strengths and weaknesses derive from internal environment and hence, theoretically at least, are within the control of an organization managers. In turn, opportunities and threats are less likely to be controlled. "For instance, if the analysis reveals that there is a skills gap in the organization, then the problem can be addressed immediately by the management. However, if the threat to the organization comes from the prospect of international terrorist attack, then the response of local managers may only go part of the way to presenting a solution to the problem. Addressing internal security measures may seem to address the threat, but will not deal with the root causes of the threat, which will remain even if the likely impact has been reduced." (Clarke & Chen 2007, 97.)

To sum up, Baltiya Hotel SWOT analysis is represented in Table 3 below.

Table 3. Baltiya Hotel SWOT analysis (adopted from open sources)

Strengths
<ul style="list-style-type: none"> + suitable location within the downtown + restaurant and lobby bar services + modern conference facilities + several room types, two-room suites + a separate hotel building, not part of an apartment building

<ul style="list-style-type: none"> + new hotel building in superb condition + up-to-date security systems + small sheltered parking area + panoramic view from upper floors + 10 minute driving distance from Finland railway station + 20 minute driving distance from Moskovsky railway station
Weaknesses
<ul style="list-style-type: none"> - lack of extra space around the hotel building - limited range of extra services (neither a gym nor beauty salon available, etc.) - not the best views from the lower floors - the hotel is not located within a short walking distance of some of the city's main sights and attractions
Opportunities
<ul style="list-style-type: none"> + simplification of visa requirements (visa-free entry for cruise passengers, for organized tourist groups coming from certain countries) + streamlining of migration policy in the region + partial closure for reconstruction of some big nearby hotels (Saint-Petersburg Hotel, Sputnik Hotel) + arranging extra services (take-away food, business and personal catering services)
Threats
<ul style="list-style-type: none"> - opening of new hotel chains in Saint Petersburg - opening of new hotels in close proximity to Baltiya Hotel - unstable economic situation in the country - political unrest - criminal acts that might influence tourist arrivals in the region (terrorist attacks on public transport, in the city) - tightening of visa regime - instability of legislative base in the region

3.4 Competitor analysis

Competitor analysis is a detailed review of competitors that allows the company to identify and highlight the market trends and the level of loyalty of consumers (Hudson 2008, 84). Kotler and Armstrong (2012, 552) define competitor analysis as the process of identifying key competitors, as well as assessing their objectives, strategies, strengths and weaknesses, and reaction patterns. Information on the number and types of competitors, the points they are successful or unsuccessful at all contribute to the planning process. Obvi-

ously, by realizing who the competitors are, the company has an opportunity to develop strategies in order to achieve competitive advantage in the future. (Kotler & Armstrong 2012, 552.)

As stated by Hudson (2008, 84), competitors can be divided into four broad categories:

- **direct competitors** offer similar goods or services to the same customer at a similar price
- **product category competitors** create the same product or class of products
- **general competitors** provide the same service
- **budget competitors** offer goods or services of the same price category.

Porter (1980, in Hudson 2008, 84) points out that in addition to the existing competition, there is also a threat of potential competition in the form of new entrants.

All in all, there are eight means of accommodation located in the close proximity to Baltiya Hotel. These are the hotels of different categories with the total number of rooms of 1 135:

- Saint-Petersburg Hotel 3*, 401 rooms
- Sputnik Hotel 3*, 192 rooms
- Andersen Hotel 3*, 140 rooms
- Vyborgskaya Hotel 3*, 237 rooms
- Marmara Hotel 3*, 30 rooms
- Lancaster Court Hotel 4*, 49 rooms
- Empire Park Hotel 3*, 36 rooms
- Stony Island Hotel 3*, 50 rooms.

Saint-Petersburg Hotel is considered the most serious direct competitor of Baltiya Hotel, offering quite similar services at a similar price to the same type of customer. In addition, it has always been successful in attracting European clientele, representing a strong brand. Sputnik Hotel is one of the major general competitors of Baltiya Hotel, with the same services available at a slightly lower price, including a range of options provided free of charge.

The competitors are going to be analyzed according to six different criteria, which are as follows: number of rooms, location, tariffs (off-peak season), advantages, disadvantages, extra services.

Table 4. Baltiya Hotel competitor analysis (adopted from open sources)

Hotel name	Saint-Petersburg Hotel 3*	Sputnik Hotel 3*
Number of rooms	401 rooms	192 rooms
Location	Conveniently located in the historical city center, on the main Neva River Embankment	Located in a relatively quiet and green area of the northern part of Saint Petersburg
Tariffs	RUB 2 380 – 7 000	RUB 2 600 – 5 400
Advantages	<ul style="list-style-type: none"> • Famous, well-known hotel • Excellent city center location with a possibility to offer splendid panoramic views across the Neva River • Panoramic 24/7 Bering restaurant capable of accommodating up to 500 people • 2 conference halls able to accommodate 140 and 80 people respectively • Large concert hall able to accommodate up to 790 people • Exhibition area providing 1450 square meters of meeting and exhibition space • Large business center conveniently located nearby • Own spacious guarded parking area • Currency exchange service • Courier service • Possibility of pet accommodation (extra fee is charged) 	<ul style="list-style-type: none"> • Conference hall able to accommodate up to 120 people • Own spacious guarded parking area • Free bicycle rental service • Own taxi service • Spa center • Free service of visa support and registration of foreign citizens • Luggage storage room is available free of charge • In-room mini safe boxes are available in all the hotel rooms • Coffee machine in the lobby • Snack vending machine
Disadvantages	<ul style="list-style-type: none"> • Poor, “stuck in the 80s” service • Some rooms (as well as some other hotel premises) are lacking renovation 	Located far from the city center, as well as not close to any metro station

	<ul style="list-style-type: none"> • A fridge is available only for Apartment, Superior, and Deluxe rooms • A hair dryer is provided by request • The parking area can only be used for extra costs • Safe deposit boxes are available for extra costs 	
Extra services	<ul style="list-style-type: none"> • Free Wi-Fi Internet access covering the entire hotel area • Luggage storage room • Concierge services • Visa support • Souvenir shop • Mobile top-up terminal • Laundry service • Room service • Ironing room • Billiard room 	<ul style="list-style-type: none"> • Free Wi-Fi Internet access covering the entire hotel area • Concierge services • Laundry and dry cleaning service • Room service • Ironing room • Possibility to borrow a laptop for the time of accommodation

Porter (1980, in Hudson 2008, 86) suggests a suitable strategy for dealing with competition, which is a **focus strategy**. This strategy concentrates on designing a product or service to meet the needs of one segment of the market better than the competition does. Defining such a segment is one of the challenges that Baltiya Hotel is currently facing.

4 Methodology

4.1 Research approach

Considering the thesis specifics, it was decided to implement both quantitative and qualitative research methods.

The **quantitative research methods** represent an approach usually involving large samples, which are designed to generate data that can be projected to the whole population (Proctor 2003, 529). As stated by Hudson (2008, 120), quantitative research is research to which numerical (empirical) estimates can be attached. Therefore, a specially designed questionnaire will be proposed to Baltiya Hotel European guests upon arrival. This survey is meant to identify the guests' characteristics, expectations, and the level of satisfaction with the hotel's services. In particular, the research will explore trip planning behavior, as well as develop a profile of Baltiya Hotel European guests. This will facilitate coming up with development suggestions concerning the hotel's existing offers.

As for the **qualitative research methods**, these usually involve small samples, which attempt to elicit descriptive information about the thoughts and feeling of respondents on a topic of interest to the research (Proctor 2003, 529). Therefore, qualitative research gives rise to qualitative (subjective) information (Hudson 2008, 120). The focus of the research here is on understanding processes, actions and motivations rather than collecting quantified data (Goodson & Phillimore 2004, 3). In this thesis, a qualitative approach is implemented by conducting an in-depth interview with Jarmo Ritalahti, a Haaga-Helia Principal lecturer frequently travelling for business purposes, and another one with Baltiya Hotel Sales Director Veronika Nikolayeva. The first interview will provide information on typical expectations and perceptions of a European business traveller regarding hotel services. The second interview is aimed at obtaining information on the current marketing strategies implemented by Baltiya Hotel, as well as at clearing up the future plans. Both interviews will be taped and a word-for-word transcription will then be prepared.

In the end, all the obtained data will be compiled and analyzed to extract important information and findings. Information then needs to be interpreted, so that recommendations can be made regarding the appropriate course of action.

Such approach is meant to ensure reliability and validity of the research. **Reliability** implies the extent to which the research measures are free from random error and provide consistent results (Proctor 2003, 529). **Validity** encompasses the extent to which instru-

ments measure what they are intended to measure or research findings reflect reality as it might be known (Proctor 2003, 530). In other words, validity refers to the extent to which the research covers the measures it claims to measure (Ghauri & Grønhaug 2010, 78).

Altinay and Paraskevas (2008, 130) underline implication of multiple sources as one of the main attributes contributing to reliability and validity of any study. Accordingly, the thesis combines both the questionnaire and interviews in order to reinforce the findings and to cover all the necessary measures for answering the research questions.

4.2 Data collection process and analyzing

This is a research-oriented thesis, touching upon various tools aimed to attract European customers towards a certain local company.

The working process will include in-depth studying of numerous academic literature and articles related to the hospitality industry, as well as relevant Internet sources. The obtained information will be analyzed and major points will be identified. Additionally, further important data will be gathered through analyzing the survey and interview results.

Finally, all the obtained data will be combined in order to fulfill the research objectives.

4.3 Budget

The study is not financially supported by the commissioning party; still, all the necessary data, material and thesis related consulting will be provided by Baltiya Hotel when needed. Numerous academic literature will be lent out from the Porvoo Campus library. Other necessary sources will be found on the Internet via search engines.

4.4 Limitations

Currently, Baltiya Hotel does not drive sufficient occupancy due to the economic downturn that the country is experiencing. Therefore, the number of responses to the questionnaire might not be sufficient enough. Although the duration for collecting the data will be extended for eight months, not all the target guests supposed to receive a questionnaire might be willing to respond, perhaps due to the lack of motivation. Further on, the most frequent European visitors of Baltiya Hotel are tourists from Germany and Poland, who can make up the majority of respondents, which is not quite desirable.

5 Results of the practical research

5.1 Questionnaire survey results

The thesis represents the results of an eight-month-long survey of Baltiya Hotel guests coming from Europe (March-October 2015). All in all, 677 European guests stayed in Baltiya Hotel over the period when the questionnaire survey was conducted. Ultimately, 76 fully completed questionnaires were collected. The reliability of the survey is therefore quite low due to the fact that the majority of guests seem to have ignored the questionnaire. Thus, it is obvious that the researcher's direct presence at the hotel would have helped to obtain much more reliable survey results.

As shown in Figure 7, **the mature market is well represented amongst the hotel guests**, with 30 percent age 36-40 and 26 percent age 41-50 respectively. Younger adults comprise only a minor percentage of all the hotel guests coming from Europe.

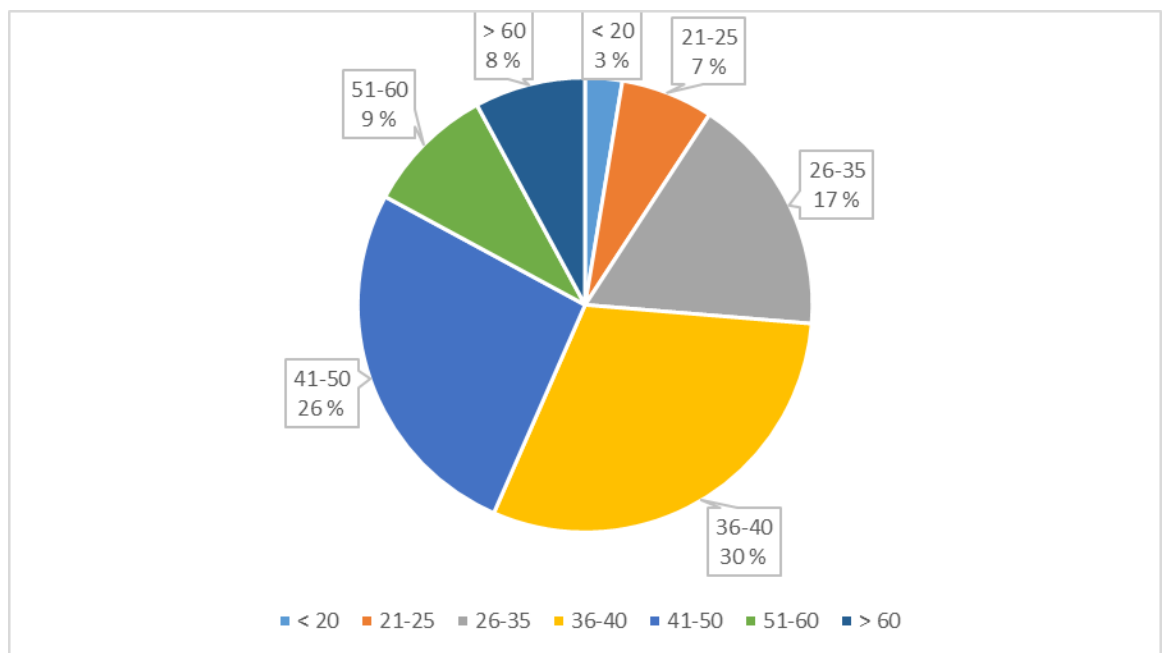


Figure 7. Respondent age groups

Figure 8 represents the data regarding Baltiya Hotel guest gender. As can be seen from the chart, **about two-thirds of the hotel's European customers are men**. The rest of 37 percent are women.

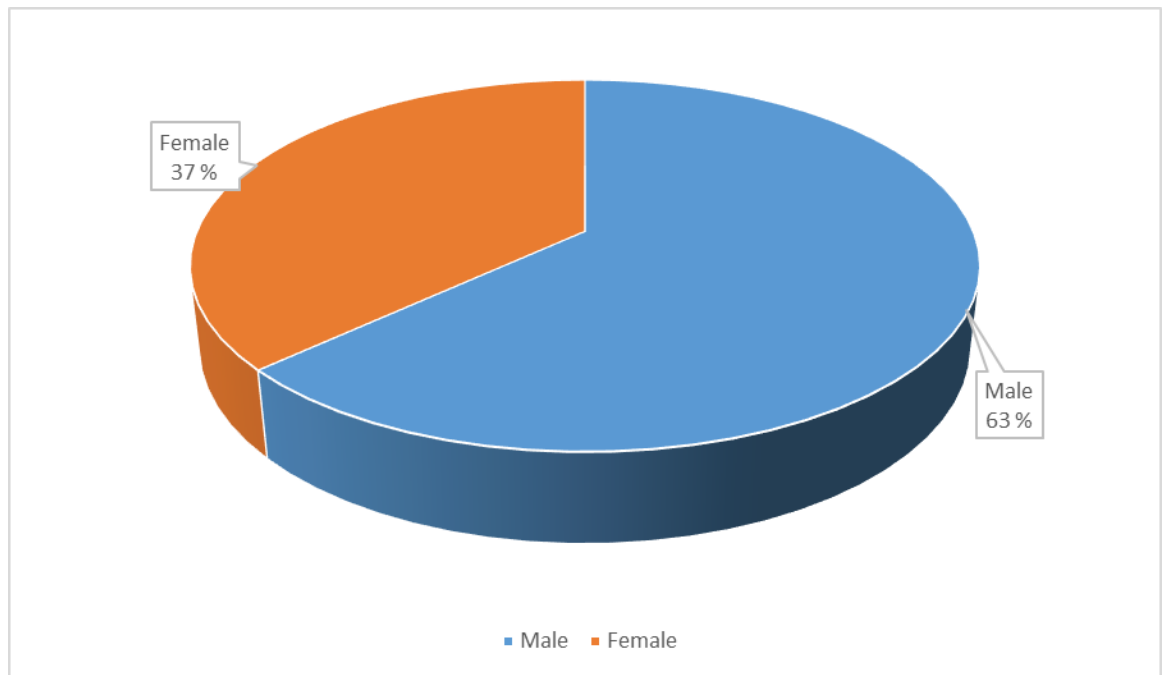


Figure 8. Respondent gender

As Figure 9 indicates, **tourists from Poland represent the hotel's most significant European market**, contributing 20 percent. The second largest market is Germany, which represents 13 percent of European visitor volume. Holland and Spain finish the top three, with 10 percent for each of them respectively.

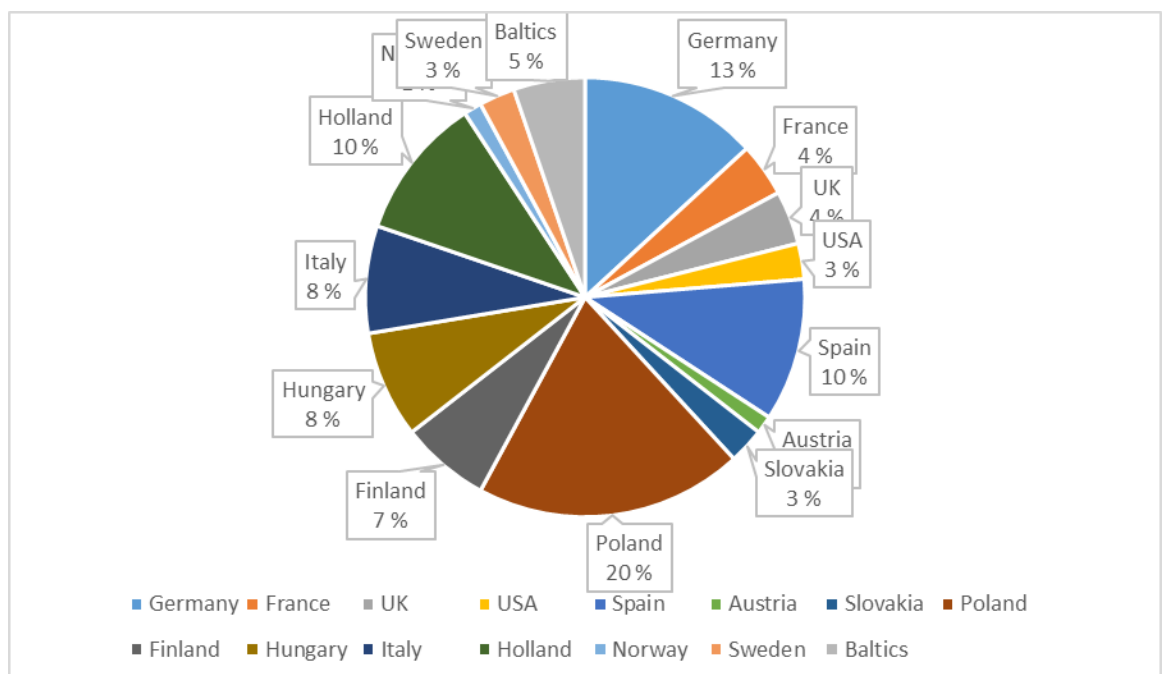


Figure 9. Respondent place of residence

For the majority of guests, it was the first visit to Baltiya Hotel, which is illustrated by Figure 10. Thus, **first time visitors account for the greatest percentage of Baltiya Hotel European guests by far**, at 79 percent.

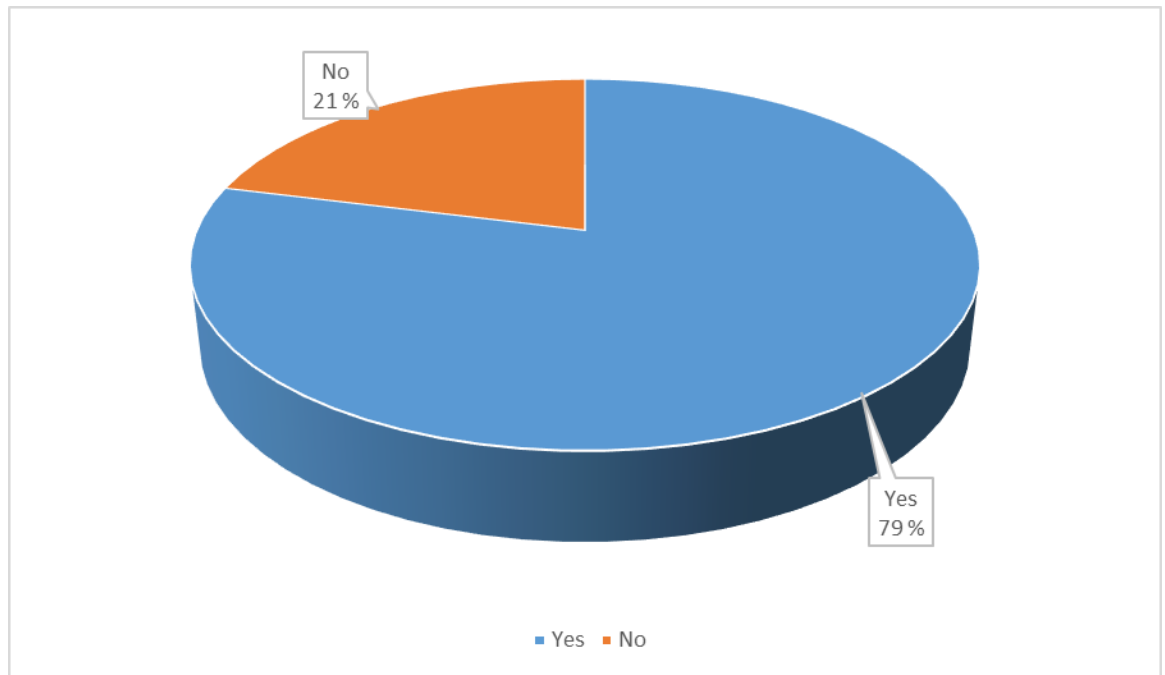


Figure 10. Question 4: Is this your first visit to Baltiya Hotel?

The repeat customers (the rest of 21 percent) were then asked about the reasons for which they had chosen to return to Baltiya Hotel. **Convenient location turned out to be the most common reason for returning to the hotel**, cited at 69 percent of European guests. (Figure 11.)



Convenient location
69%



New hotel building
and facilities 31%

Figure 11. Open-ended question: If this is not your first visit, what factors influenced you to return to Baltiya Hotel?

As for the European guests, leisure related travel is the primary contributor to Baltiya Hotel's occupancy. More than two-thirds of respondents arrived to Saint Petersburg for leisure purposes. Business trips make up not more than 30 percent, as shown in Figure 12.

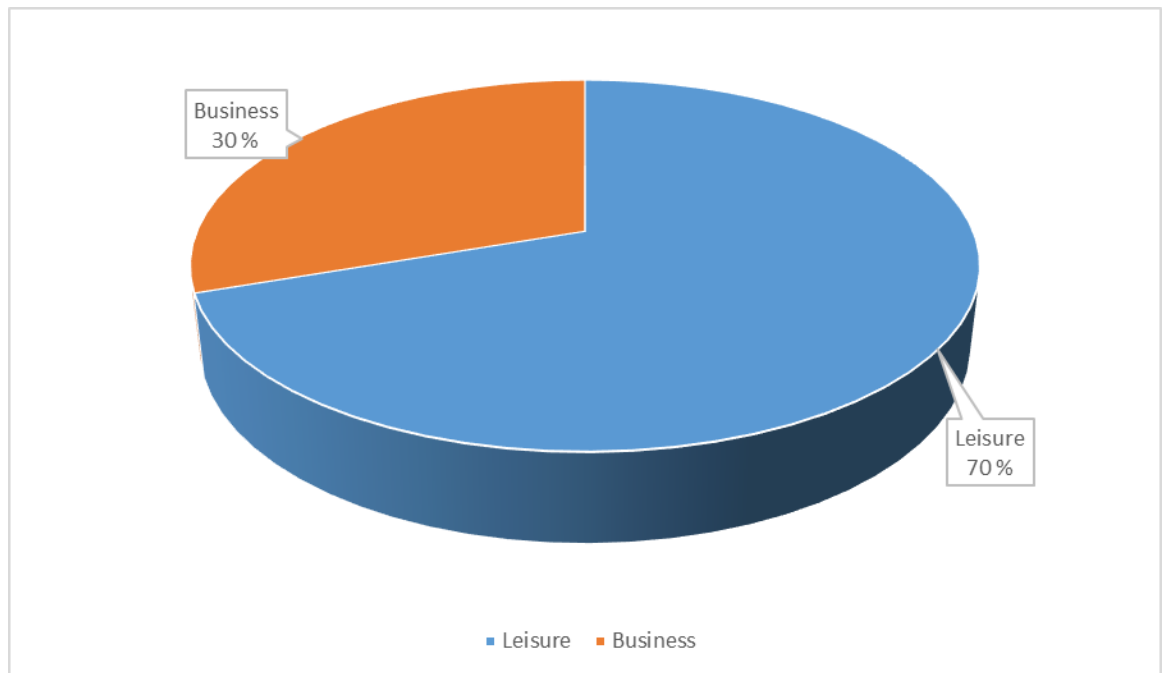


Figure 12. Question 5: What is the purpose for your visit (this time)?

As for the transportation which the respondents used in order to arrive to Saint Petersburg, it can be noted that **the majority of guests came by air** (58 percent). Less than one-third of customers came by bus (29 percent). (Figure 13.)

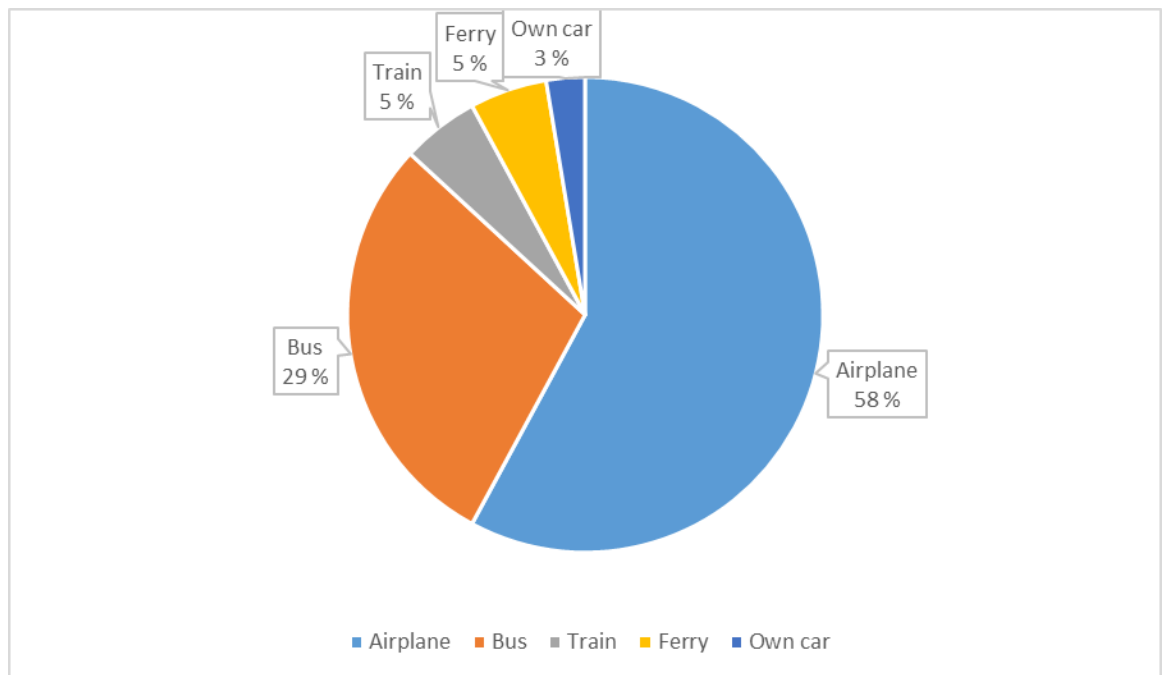


Figure 13. Question 6: Which transportation have you used this time in order to arrive to Saint Petersburg?

The majority of respondents, as 47 percent, prefer to stay at three-star hotels while travelling. Other guest preferences include apartment hotel accommodation (32 percent), hostel accommodation (11 percent), and four-star hotels (5 percent). The rest of 5 percent of customers chose the “Other” option, indicating that they preferred to use short-term rental websites such as Airbnb and Roomorama. (Figure 14.)

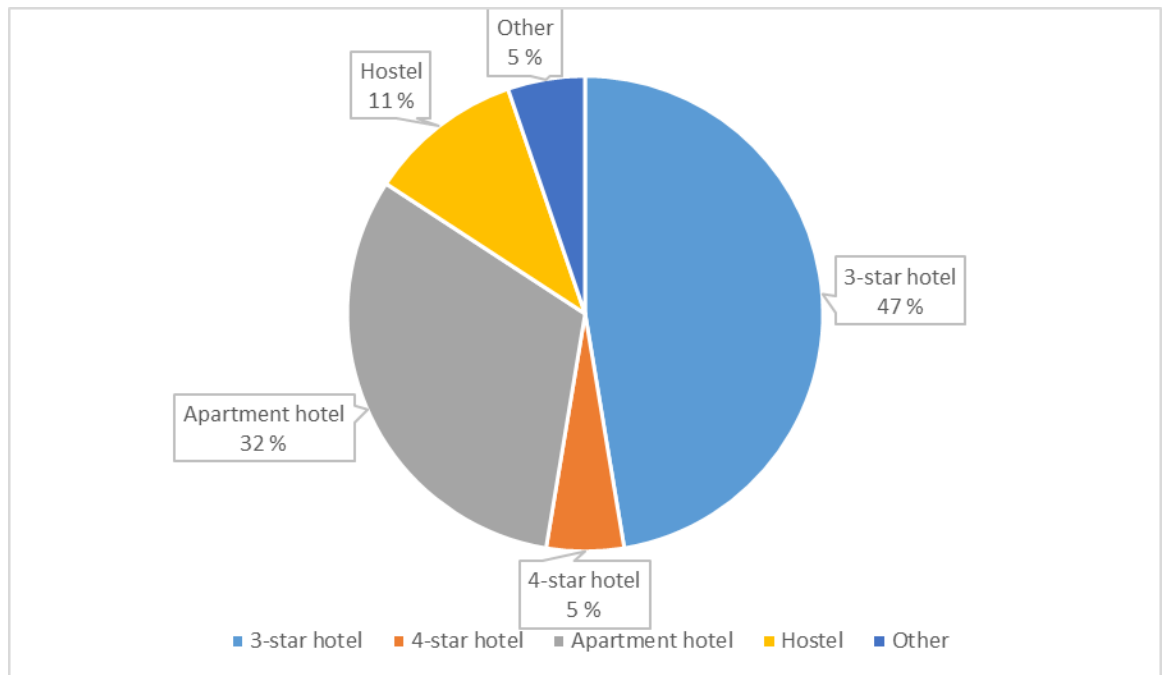


Figure 14. Question 7: Where do you usually prefer to stay while travelling?

A significant proportion of respondents (54 percent) stated that convenient location was the main criterion for choosing their accommodation. About one fourth of guests (22 percent) selected the “Other” option, ranking proximity to meetings or office as the top requirement in their choice of hotel rooms. Attractive price/quality relation and reasonable price were ranked as the most important hotel selection criteria by 16 percent and 8 percent of guests respectively. None of the customers chose the “High-quality/luxury services” option. (Figure 15.)

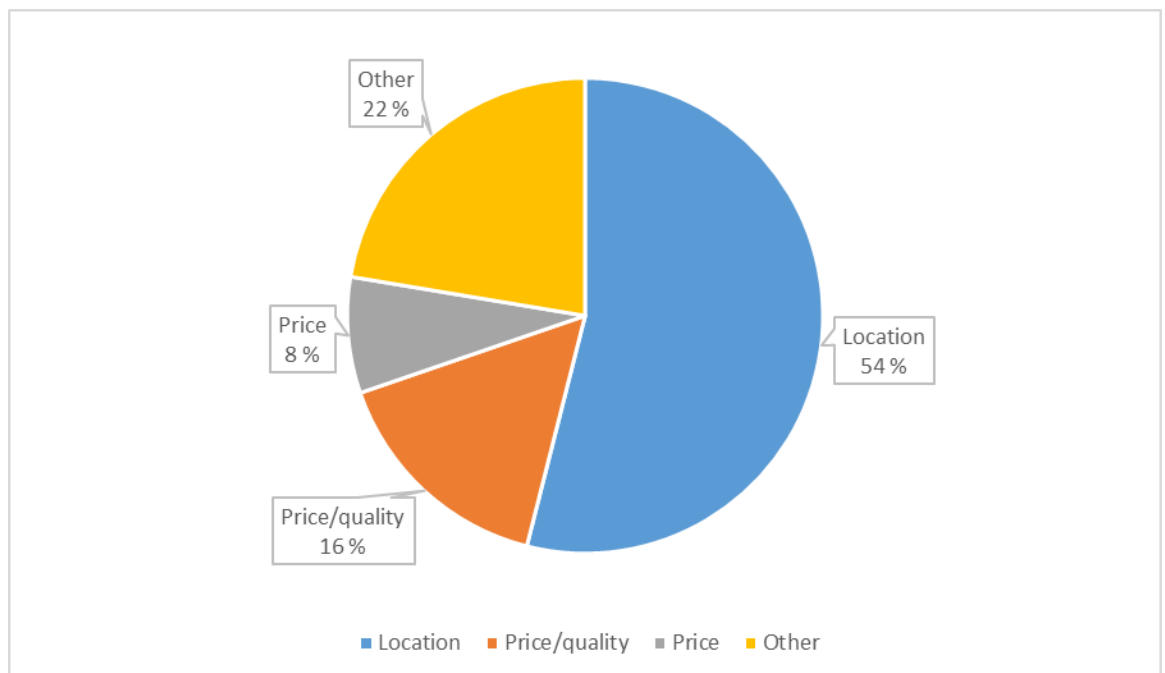


Figure 15. Question 8: What is the main criteria for choosing your accommodation?

The respondents' answers to Question 9 are reflected in Table 5. As can be seen from the table, **free Internet and consistent food services were considered essential for a hotel operation and reported as being of very high importance by over three fourths of respondents.** Additionally, nearly all the customers noted that overall convenience and sufficient condition of room facilities (WC, bath/shower, TV) were important to them. In contrast, amenities such as SPA services, swimming pool and sauna turned out to be of no importance for 70 percent of guests. Among recommendations that some respondents provided to improve Baltiya Hotel facilities was a wish for the company website upgrade and a larger TV screen in the hotel rooms (10 percent and 3 percent respectively).

Table 5. Question 9: Which facilities do you find the most important for a hotel?

Facilities	Very important	Important	Not important
Overall convenience	8 11 %	66 87 %	2 2 %
Good hotel room facilities (WC, bath/shower, TV)	11 14 %	65 86 %	0 0 %
Free Internet	64 84 %	7 9 %	5 7 %
Food services	55 76 %	16 22 %	5 2 %
SPA services/swimming pool/sauna	5 6 %	18 24 %	53 70 %
Live TV channels in the guest's native language	11 14 %	31 41 %	34 45 %
Other important, please specify	<div> <div>A better hotel website</div> <div>8</div> <div>10 %</div> </div> <div> <div>A larger TV screen</div> <div>2</div> <div>3 %</div> </div>		

As for the recent technological innovations proposed by hotels, almost half of guests (47 percent) reported taking advantage of them. (Figure 16.)

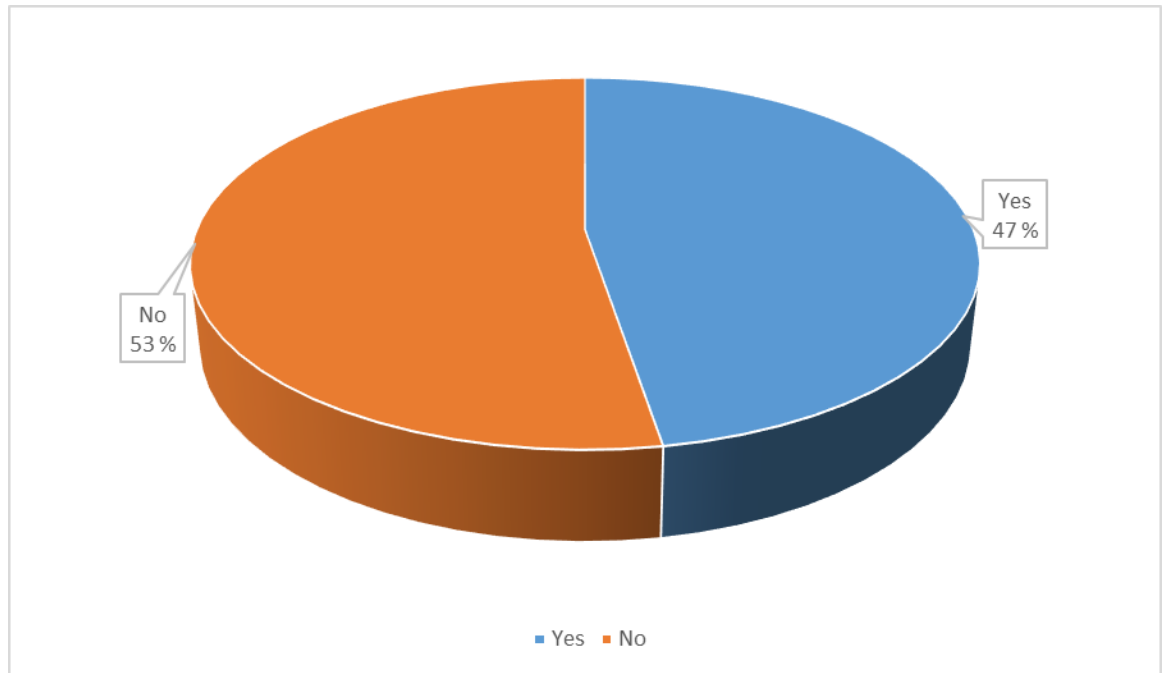


Figure 16. Question 10: Do you appreciate and make use of recent technological innovations proposed by hotels?

In an open-ended question, respondents were then asked to indicate those devices or applications that they had ever used themselves. As shown in Figure 17, **the vast majority of guests reported making use of responsive websites** (68 percent). This confirms the continuous growth of smartphone and tablet usage and adoption. As some guests mentioned several technological innovations, the total percentage was calculated based on the number of answers rather than individuals.

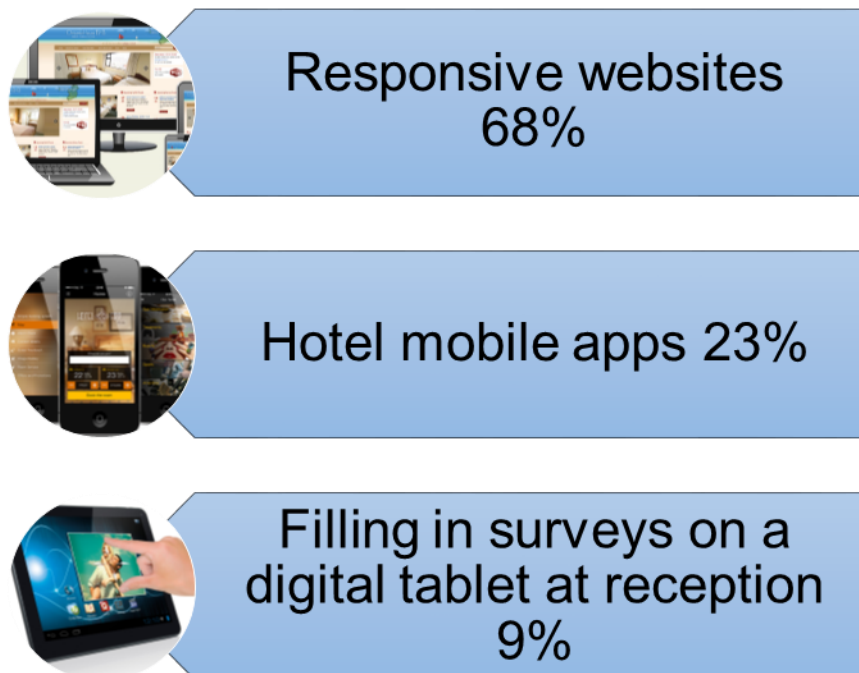


Figure 17. Open-ended question: Which technological innovations proposed by hotels have you used yourself?

Over one-third of respondents (39 percent) search travel related information primarily online, which confirms that tourists are currently turning in increasing numbers to the Internet to help them plan their travel. **However, a significant part of guests (30 percent) reported that their preferred searching method was by contacting a travel agency.** In contrast, only 11 percent of respondents noted that a friend or a colleague opinion was valuable to them in this case. Printed materials such as brochures, as well as social media seem to be of little use, being cited as preferred searching methods by only 8 and 7 percent of guests respectively. Finally, a few respondents (5 percent) selected the “Other” option, noting that their preferred searching method was by visiting travel fairs. (Figure 18.)

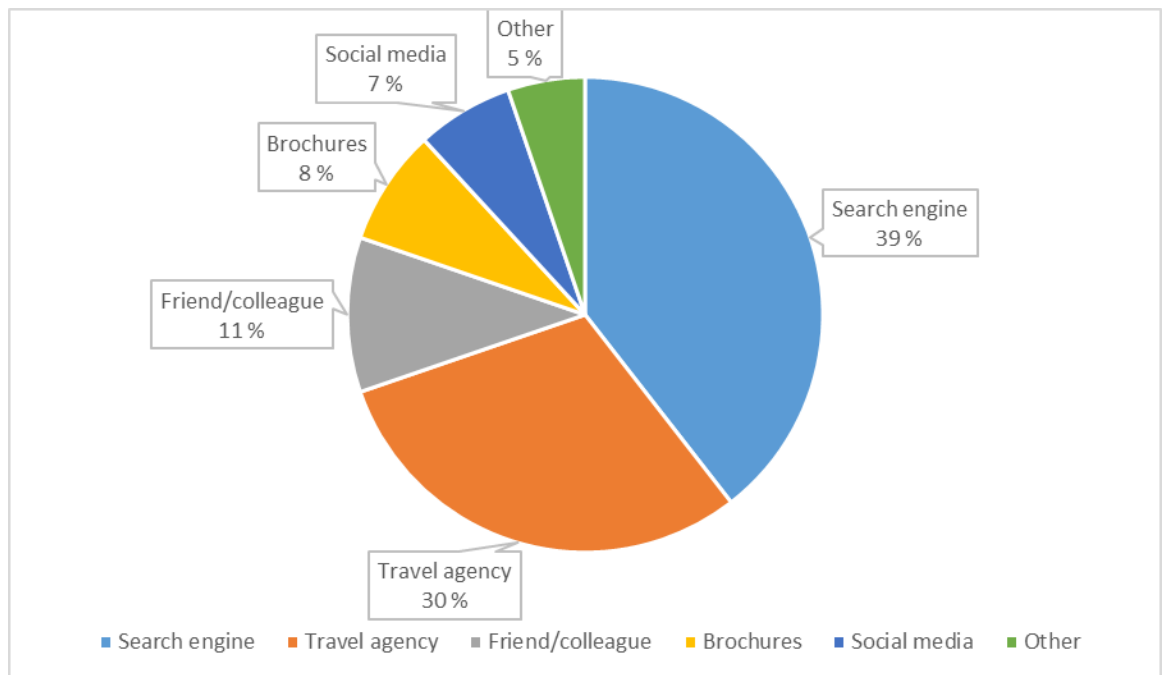


Figure 18. Question 11: Where do you usually search information when planning your journey?

Over a quarter of respondents (29 percent) usually travel accompanied by their couples or spouses. Joining group tours (20 percent) and travelling with business colleagues (18 percent) finish the top three. Respondents preferring family trips make up only 7 percent of Baltiya Hotel European visitor volume. (Figure 19.)

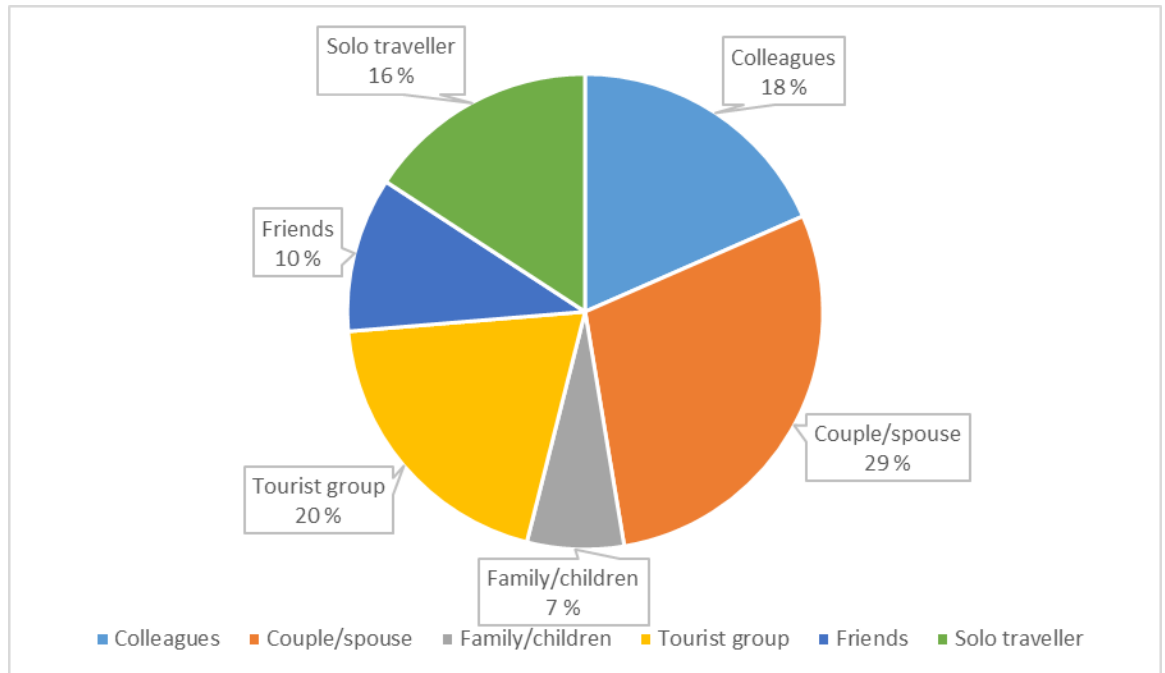


Figure 19. Question 12: Who do you usually travel with?

Almost half of respondents (45 percent) noted that their trips usually lasted from 2 to 4 days. More than a third of guests (34 percent) reported that the duration of their usual journeys was from 5 to 7 days. One-day travellers (12 percent) finish the top three. (Figure 20.)

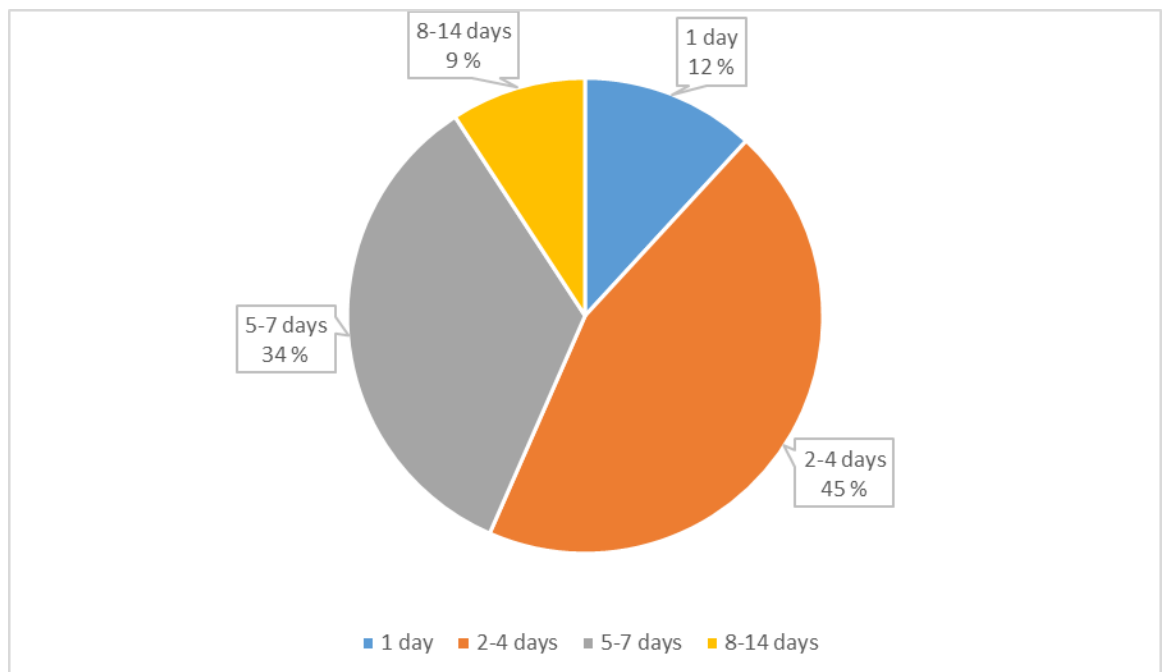


Figure 20. Question 13: What is the duration of your usual trip?

As shown in Figure 21, **over a half of respondents first heard about Baltiya Hotel through the Internet**, either through travel review websites such as TripAdvisor or Booking.com, or via online search (33 percent and 19 percent respectively). In addition, several guests (11 percent) used merchant websites such as Expedia.com or Hotels.com in order to obtain information. In contrast, **more than one fourth of respondents first heard about Baltiya Hotel through travel agency** (26 percent).

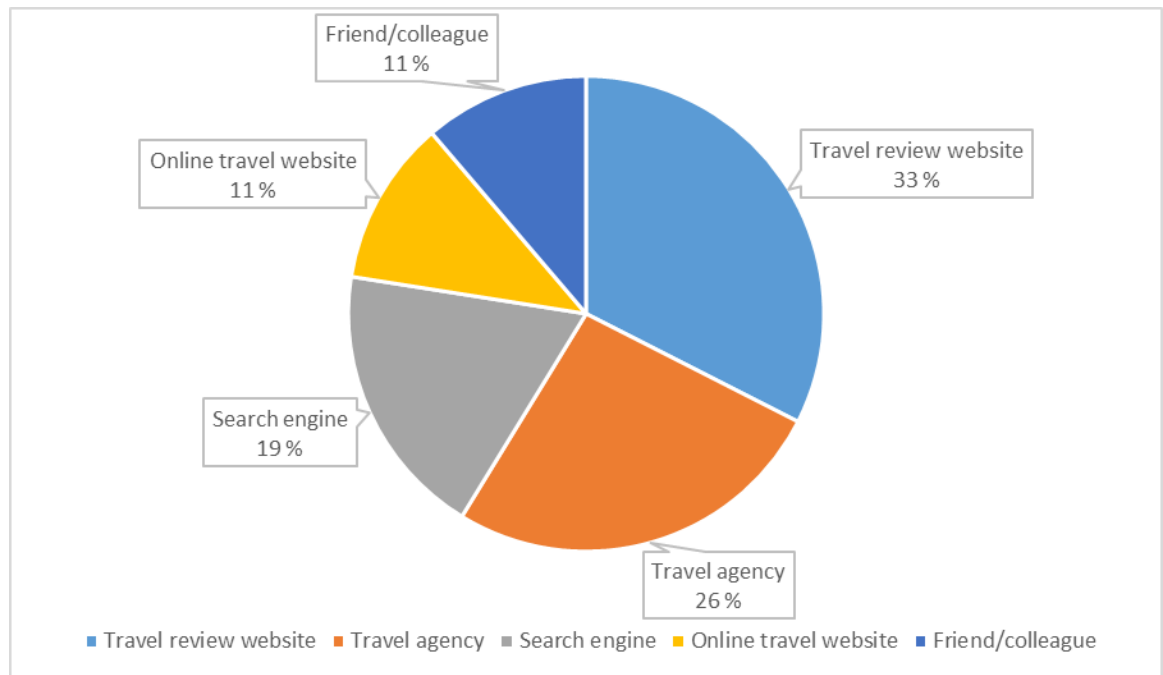


Figure 21. Question 14: How did you hear about Baltiya Hotel?

As can be seen from Figure 22, **50 percent of respondents booked the hotel online**. This confirms the ongoing relevance of online bookings via travel related websites such as Booking.com and Expedia.com. More than one fourth of guests (28 percent) made their reservations through travel agencies. In contrast, only 13 percent reported that their preferred booking method that time was through Baltiya Hotel website. Additionally, a few respondents made their reservations through the hotel direct e-mail (5 percent) and the hotel direct telephone (4 percent).

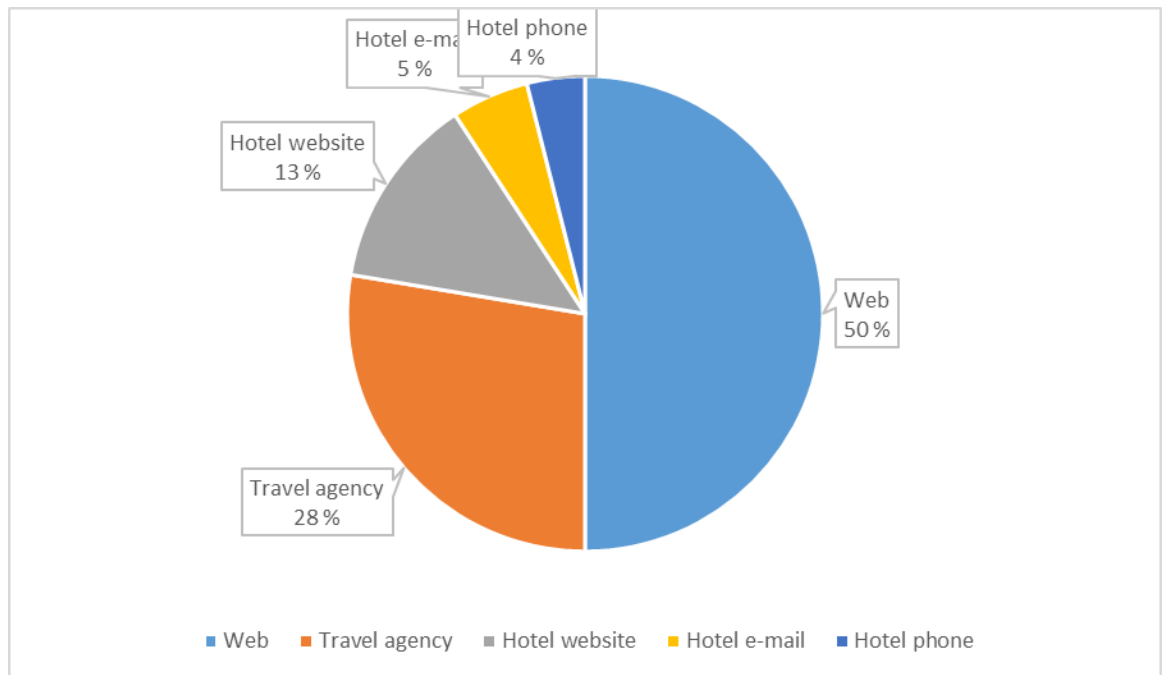


Figure 22. Question 15: How did you make your reservation?

More than half of respondents (59 percent) expressed positive feelings about the food quality at Baltiya Hotel. However, 41 percent of guests reported negative feelings: 20 percent ranked the food quality as “Fair” and 21 percent expressed total dissatisfaction, having chosen the “Poor” option. (Figure 23.)

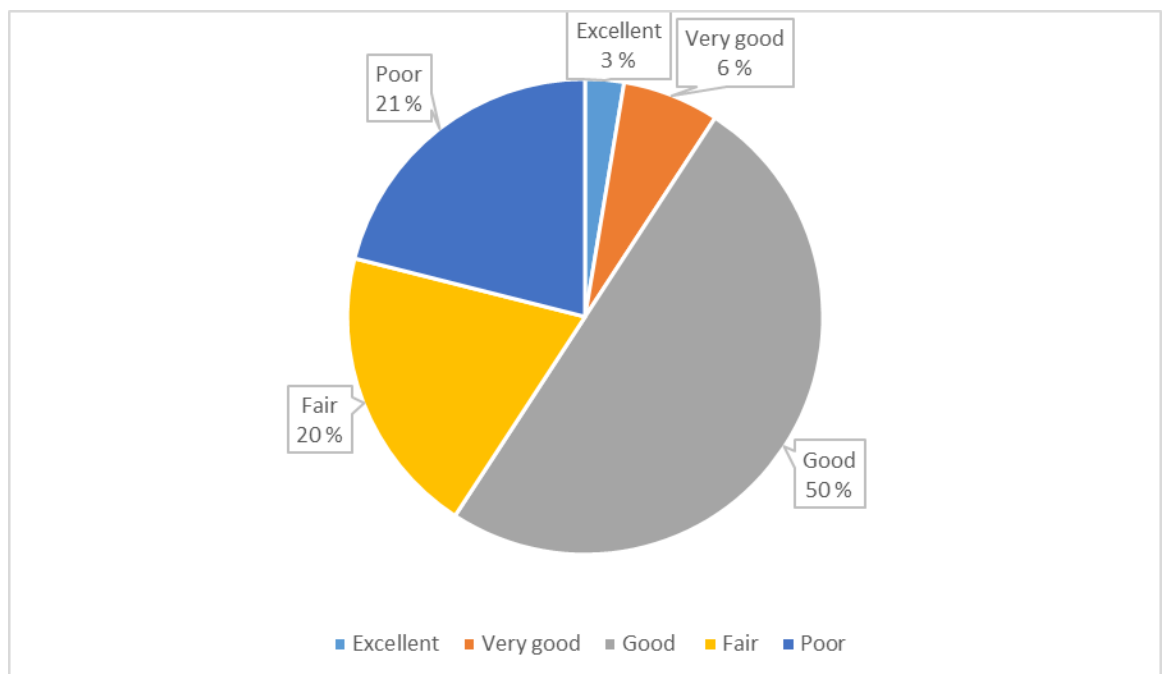


Figure 23. Question 16: How did you find the food quality?

In an open-ended question, respondents were then asked to provide suggestions on how to improve the food quality at the hotel. **Eight out of ten hotel guests affirmed that they would suggest to extend or renew the existing menu through introducing healthier menu items.** The respondents' answers are reflected in Figure 24.

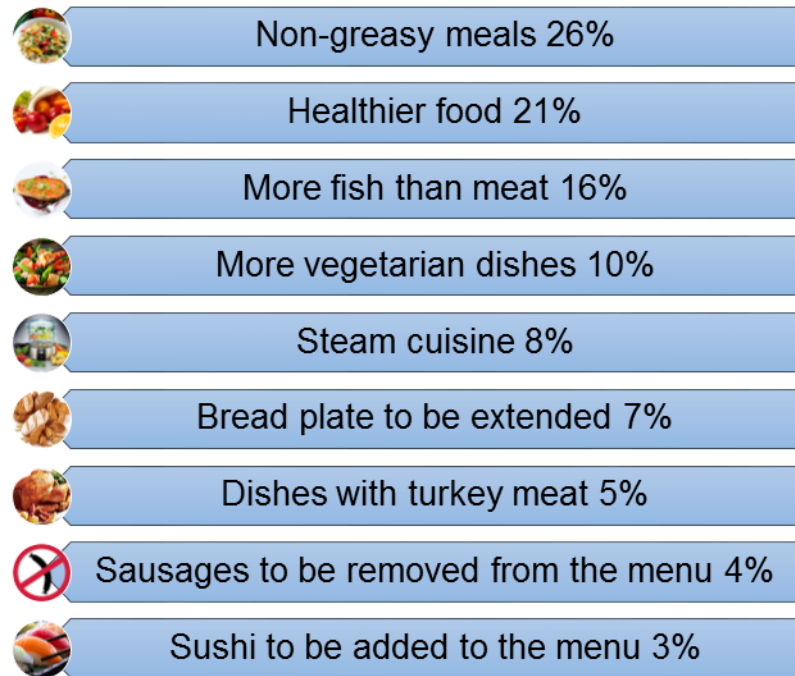


Figure 24. Open-ended question: What would be your suggestions regarding the food quality?

Implied satisfaction with their experience at Baltiya Hotel, **30 percent of respondents said definitely that they would return to the hotel.** Additionally, 13 percent "Maybe" would. However, **57 percent of guests seem to have expressed overall dissatisfaction with their visitor experience at the hotel.** (Figure 25.)

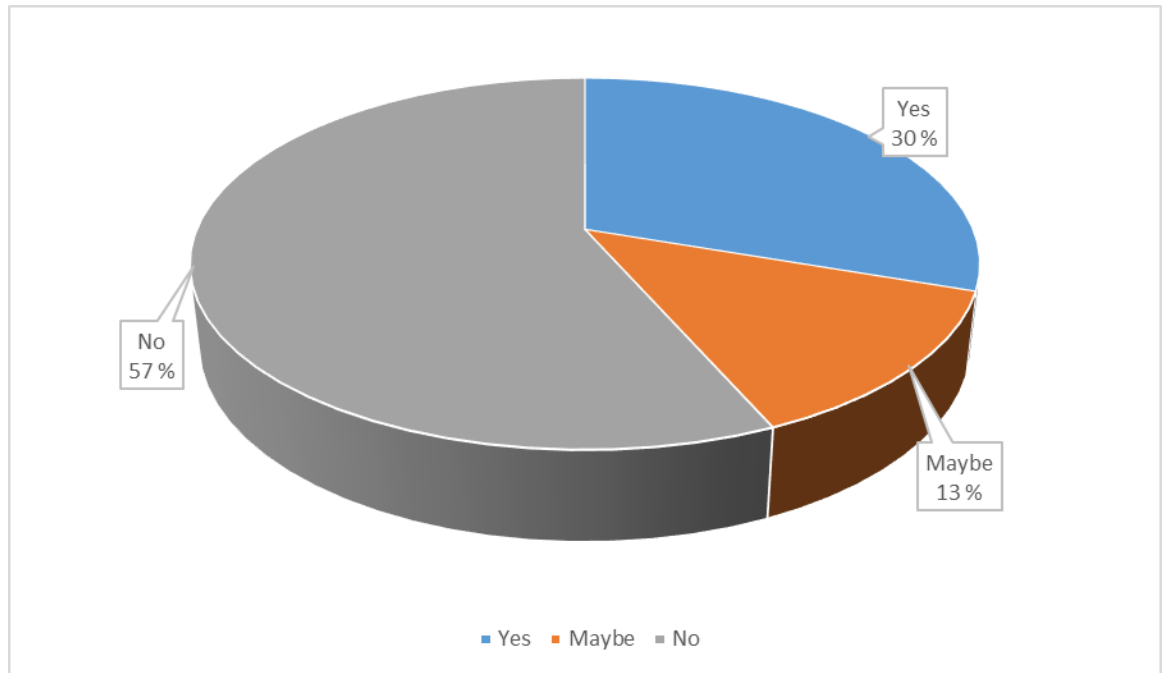


Figure 25. Question 17: If given the opportunity, would you return to Baltiya Hotel?

Almost one fourth of respondents (21 percent) would recommend Baltiya Hotel to their colleagues, friends or relatives. Besides, 11 percent “Maybe” would. However, more than two thirds (68 percent) of respondents reported that they would not recommend Baltiya Hotel to others. (Figure 26.)

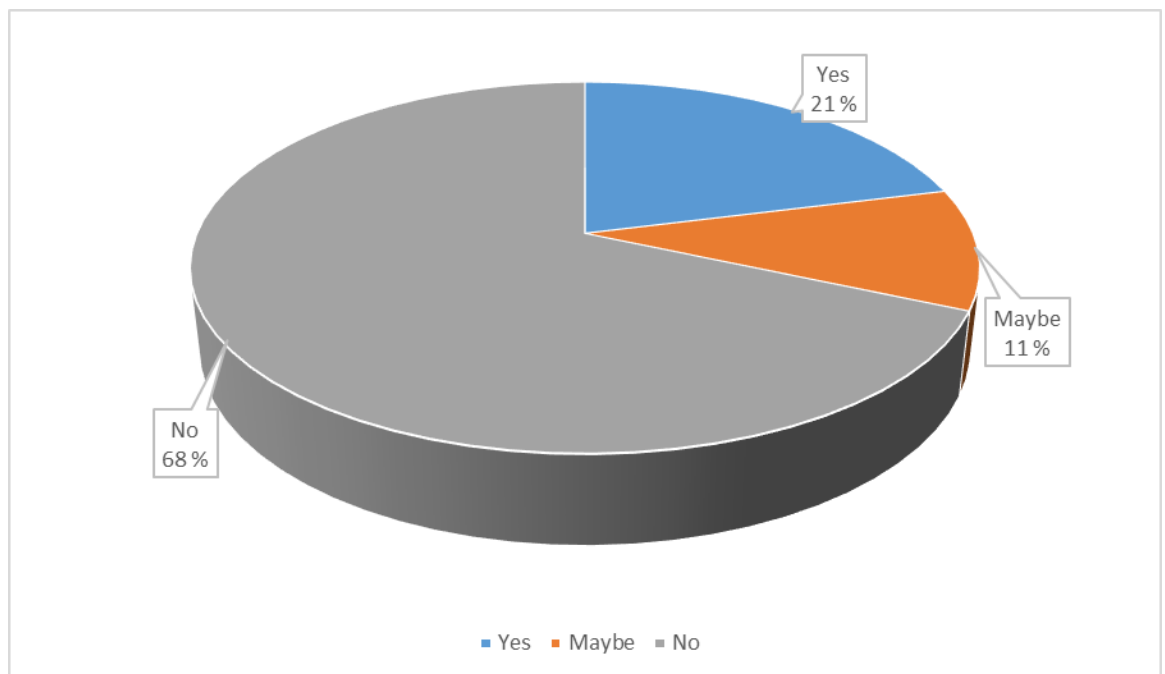


Figure 26. Question 18: Would you recommend Baltiya Hotel to your colleagues/friends/relatives?

The respondents' recommendations on how to improve the hotel services are illustrated in Figure 27 below. As can be seen from the list, **consistent food services and reliable technological facilities are of prime importance for the European customers**. As some guests provided several recommendations, the total percentage was calculated based on the number of answers rather than individuals.

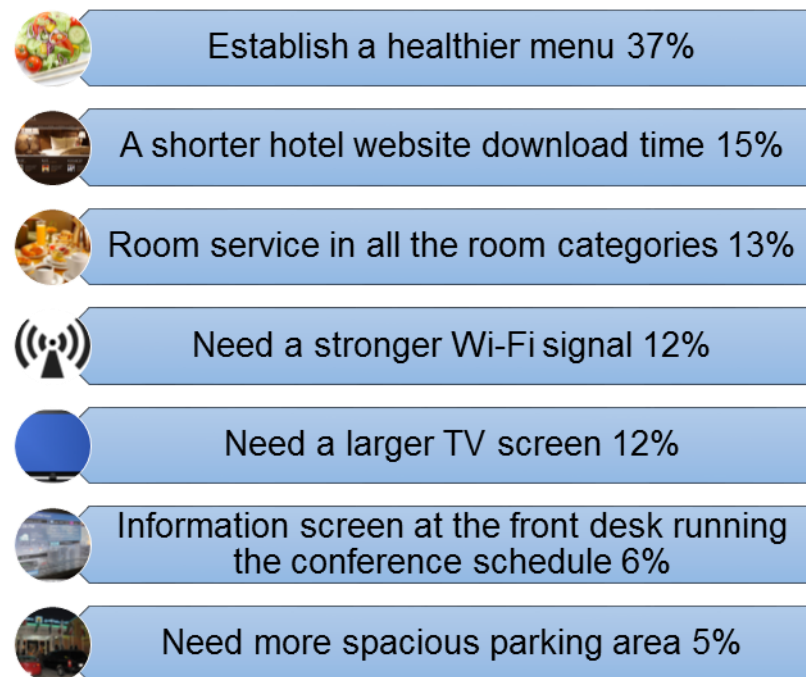


Figure 27. Open-ended question: Are there any recommendations you have to improve Baltiya Hotel services?

5.2 Interview results and analysis

In order to discover typical expectations and perceptions of a European business traveller in relation to hotel services, it was decided to conduct an interview with Mr. Jarmo Ritalahti, a Haaga-Helia UAS Principal lecturer frequently travelling abroad for business purposes. The interview was conducted in person on November 9, 2015. After analysing the answers, several follow-up questions were sent to Mr. Ritalahti via e-mail, which he responded to the following day. The full transcript of interview questions can be found in Attachment 3.

To sum up, the interview findings are as follows:

- **Business travel abroad can be quite frequent (from five to ten times a year), not being so much affected by seasonality.** The frequency of business trips mainly depends on ongoing projects, conferences and other business events, which the traveller

wishes to participate in. Therefore, business customers from Europe can be considered a profitable target market for Baltiya Hotel, as they can contribute to revenue generation all year round, which is especially important during off-peak seasons. Besides, such customers spend much more on accommodation services than local guests or guests from Asian countries do, due to relatively low spending limits on lodging and meals. The benefits of the national currency devaluation against the major European currencies should also be considered at this point.

– **Accommodation preferences usually depend on the length of stay.** If it is less than 4 days, a hotel is chosen. However, if the trip takes longer than 4 days, it turns out to be much more convenient to stay in a self-catering apartment. This finding corresponds to the data obtained in the course of conducting the questionnaire survey. In case one's usual trip takes a relatively long time, it makes much more sense to a guest to choose an apartment hotel or a self-catering apartment, particularly in terms of good value for money. Therefore, it can be noted that serviced apartments and three-star hotels such as Baltiya Hotel do actually compete for the same target markets, as self-catering accommodation offers obvious benefits for long-term visitors.

– Regardless of no significant budget limitations, **Mr. Ritalahti always tries to find a reasonably priced accommodation.** The matter is that European customers usually prefer to economize, probably being among the world's greatest savers. Therefore, a proper price-quality relation should be kept in mind by the management of Baltiya Hotel when working out strategies to attract this type of customer.

– **Convenient location is the main criterion when deciding on accommodation:** proximity to meetings or events was ranked by Mr. Ritalahti as the top requirement in his choice of accommodation.

– **Mr. Ritalahti relies to a great extent on reviews on TripAdvisor, checking them every time before making any purchase decisions.** This confirms the ongoing popularity and trustworthiness of this travel related web source in the eyes of European customers.

– **The most important hotel offerings are a free Internet and a consistent, nutritious breakfast,** especially when travelling for business purposes, as it enables a guest to stay productive throughout a long work day.

– Mr. Ritalahti expressed **positive feelings about the recent technological innovations proposed by hotels,** noting that the most up-to-date hotel services became more accessible with the introduction of smartphones, tablets and easy check-out systems. **Furthermore, a significant part of European business customers even considers these innovations essential to travellers. Mr. Ritalahti would also wish to have a tablet at his hotel room** rather than a laptop borrowed from the front desk. **However, he often does**

not have willingness to use mobile applications for hotels. In most cases, it would be more desirable for Mr. Ritalahti to interact directly with the live hotel personnel, as he might have questions about the property. This confirms that the hotel industry is still driven by live communication and customers feel much more confident with it, regardless of the convenience of the latest technological innovations proposed by hotels.

– **When planning the upcoming journey, Mr. Ritalahti prefers using a search engine to obtain information available online, along with online travel agents such as TripAdvisor or Booking.com in order to check the prices. He usually has his reservation made either through Haaga-Helia UAS assistants or via the hotel booking system launched exclusively in Haaga-Helia UAS. However, sometimes Mr. Ritalahti prefers to make reservations by himself using common booking methods.** In this case, it is important for the management of Baltiya Hotel to encourage direct bookings on the hotel website after the customer obtains the necessary information and learns of the existence of Baltiya Hotel. This enables the company to avoid paying commission fees. Therefore, the question of how to attain this goal definitely arises.

– **Mr. Ritalahti's preferred leisure activities while travelling are either going out for dinner in the evening with his business colleagues, or spending time at bars or cafés. Sometimes he prefers just to stay in his hotel room and have a quiet rest.**

Therefore, every effort should be made to encourage Baltiya Hotel guests to dine at the hotel restaurant or spend time at the lobby bar. In addition, hotel rooms should be maintained in excellent condition and equipped with all the necessary amenities for a relaxing stay.

– Hotel brand building tools can obviously create certain value for customers. However, **the importance of branding to customers has diminished over the past few years. Guests seem to be looking for other options rather than chained-brand hotels.** Customers might also choose different brands all the time, not sticking to one particular brand, as brands are often too monotonous. **From the other hand, brands ensure predictability and build trust, as customers know for sure what kind of services and amenities they are supposed to receive,** be it prime location or a consistent breakfast. **In this sense, hotel branding is an effective method to attract customers.** Therefore, brand building tools are worth using, although emphasis should probably be made on innovation rather than on predictability, in order to reduce monotony and the feeling of sameness coming with every purchase.

– **Countries affected by political unrest inevitably experience a decline in the number of international tourist arrivals.** However, if to speak about currency rates, travellers might eagerly visit a destination if its currency starts depreciating. Still, if such country is marked by a certain political unrest, people might decide to avoid this destination anyway,

because of political reasons. Even successful brand positioning does not always help if the political situation in the country is complicated. Unfortunately, political unrest along with economic instability have had a harmful impact on European tourist arrivals in Saint Petersburg. As these factors are out of control of the management of Baltiya Hotel, modifications in operating, management and marketing are required according to the changing situation.

– **As for the hotel business situation in Russia, a more service-oriented brand should be created**, as the Soviet style service attitude is still quite widespread. Additionally, **the hotel operating company should make every effort to obtain the highest possible ranking on TripAdvisor**. The quality of hotel rooms and facilities has to be at a quite good level. Furthermore, much depends on how the property will be promoted, including the way the hotel operation will be differentiating itself from competitors. An attractive price-quality relation, as well as “everything’s included” feature would be quite helpful. All these possible modifications should be taken into account by the management of Baltiya Hotel.

– **The problem is that a great number of European travellers are still anxious to book something else than four- or five-star hotels when coming to Russia**. Therefore, the question of how to persuade Europeans to choose three-star hotels definitely arises.

In order to obtain information on the current marketing strategies implemented by Baltiya Hotel, the second interview was conducted with Mrs. Veronika Nikolayeva, director of sales and marketing at Baltiya Hotel. The interview was conducted in person on January 10, 2016. The full transcript of interview questions can be found in Attachment 2.

All in all, the interview findings are as follows:

– **European customers represent a profitable target market for Baltiya Hotel, as they usually have a greater ability to pay than local guests. In addition, it has currently become much more beneficial for European travellers to visit Russia, due to significant fluctuations of the local currency.**

– **Attracting business customers is particularly important to Baltiya Hotel, as business travel is not so much affected by seasonality.** Such customers can therefore contribute to revenue generation all year round, which is especially important during off-peak seasons. Additionally, **business travellers can afford high average room rates along with high food and beverage spends**, which can ensure greater profits to the company than other markets.

- However, **business customers make up not more than 30 percent of Baltiya Hotel European visitor volume. The rest of 70 percent are tourists coming for leisure purposes, respectively.** The matter is that business customers from Europe display relatively high expectations regarding business facilities, which are rather modest in Baltiya Hotel. Therefore, **the company's main focus is currently set on leisure travellers.**
- **Presently, a dramatic decrease in European tourist arrivals is observed: this type of guest makes up not more than 20 percent of Baltiya Hotel visitor volume.** Political unrest, as well as economic crisis and sanctions introduced have had a certain negative impact on European tourists' willingness to travel to Russia.
- **The major problems that the company faces are limited financial resources due to the economic crisis and the lack of possibility to arrange a sufficient number of extra services.** Nevertheless, Baltiya Hotel is constantly trying to compensate extra services that it cannot provide, particularly through making agreements with various businesses located nearby, be it a beauty salon or a fitness center.
- **The typical traits of a European customer of Baltiya Hotel are as follows: the age is from 40 to 50, middle class or a bit upper, active and interested, the vast majority being men.** These findings correspond to the data obtained in the course of conducting the questionnaire survey.
- **Customer focus is the major principle implemented by the hotel when interacting with guests.** The company conducts research studies in the form of questionnaires and surveys to the target customers, as well as initiates live interaction with current guests in order to determine their immediate needs.
- **Baltiya Hotel has already made its first steps toward creating a strong brand.** BALTIYA is a registered trademark, and the company has a clear name, a symbol and a slogan, so that it can be properly identified and distinguished from competitors. The company logo can be found on the hotel specialty items, such as business cards, folders, personalized pens, calendars, and so on. It also appears in all of the correspondence, which helps to maintain strong associations with this particular hotel. **The company's branding goal is to create stable positive associations with all the comforts, efficiency, and hospitality.**
- **Among the promotional methods that the company implements is taking part in international travel fairs. The company sales force has been also taking business trips to European countries in order to reach potential target markets.** However, this method is quite costly, and more economic alternatives should therefore be found. Further on, **the company is distributing brochures representing the property and runs contextual advertisements.** Presently, **the hotel website is being rebuilt, so that a new responsive website with the Finnish version will be launched soon.**

- **The company's main competitor is Saint-Petersburg Hotel**, a huge 401-room property located in close proximity to Baltiya Hotel and **offering by far more favorable location, as well as stunning city views**. Nevertheless, the company has a number of shortcomings, including difficulties of interaction with customers and therefore inability to promptly identify their immediate needs, mainly because of the size of the property. Besides, the lack of welcoming, homelike atmosphere inside the hotel should be mentioned.
- **Among Baltiya Hotel's competitive advantages is customer focus**. Besides, **the company offers a flexible pricing policy and various reasonably priced packages**, such as weekend, long stay, and business ones, as well as **the loyalty program and special benefits for those guests who take part in it**. Additionally, **the hotel building is fairly new, so that all the rooms and premises are in a superb condition**. According to the research that Baltiya Hotel conducts on a regular basis, the operation currently occupies a leading position among its competitors regarding overall occupancy and ADR².

5.3 Development suggestions

Based on a wealth of information analyzed, it is now possible to provide considerations and suggestions on improvement of Baltiya Hotel services. Similarly, once the European guest preferences are captured as a result of conducting the questionnaire survey and the interview, the data obtained should be promptly put into action.

1. Firstly, the hotel needs to keep up with recent technological innovations, in order to catch the European customers' attention and encourage direct bookings. The poorly run and operated Baltiya Hotel website can easily spoil the impression of the entire property. Therefore, a new consistent company website has to be created. The future website should provide the following characteristics:

- It has to be **responsive**, which means that it should provide an optimal viewing across a wide range of devices, including smartphones and tablets.
- The website design should be **modern and attractive, yet simple, remaining in compliance with the company corporate message and overall style**.
- The website should **offer content in several languages**: along with Russian, English and Finnish versions, it is highly recommended to launch French and Spanish versions of Baltiya Hotel website, due to the gradual increase in guest arrivals from the respective countries.

² **Average Daily Rate (ADR)** – average daily price that a hotel charges for overnight accommodation. An occupancy ratio derived by dividing net rooms revenue (excluding taxes, breakfast) by the total number of rooms sold (DTZ 2009, 7).

- **Interactivity** is an imperative: the future website should offer an attractive, eye-catching 3D virtual tour and a live video or a video brochure in English that would provide a quick four-to-six-minute overview of the property. It would be especially beneficial for Baltiya Hotel if any of the European guests would agree to appear in the video together with the hotel managers and supplement with a positive feedback. This would add instant credibility to the website and ensure a strong guarantee.
- **Easy navigation** is also quite important, so that the content is well structured and easily searchable. Additionally, at the top of the home page one should be able to see a ticker, or the text scrolling through the screen, saying that direct booking is cheaper and there is a possibility to cancel or change the reservation twelve hours before the estimated arrival, which is offered as an incentive for the direct reservation with Baltiya Hotel. The ticker might also inform about an opportunity to obtain a 50 percent discount off an additional night during off-peak seasons.
- **Quick download of the homepage** is essential: the web host should be reliable and operating on a powerful server in order to provide a fast connection to the Internet.
- It is considered a good practice to publish **testimonials and feedback from satisfied customers** on the website, either in English or in a guest's native language. A Contact Us form and a Feedback form are also essential, so that guests can easily drop their considerations, observations and queries regarding the property.

In addition to the website, a mobile application for Baltiya Hotel should be created. As many European customers own smartphones or tablets and keep up-to-date with the latest technologies, a mobile application created for both iOS and Android platforms can become a suitable tool for reaching the largest possible number of potential customers. The application should be equipped with an embedded mobile booking system, an eye-catching photo gallery, as well as detailed information about the property, maps, and instant feedback function. In the future, the keyless entry function might be added as well. In order to reduce the costs of building the application, the company can hire an individual developer who would use an app builder solution instead of coding from scratch.

2. As healthy and low-fat eating has been noted to be a focus for many European customers, the hotel restaurant menu should be improved and updated periodically. Improvements relate primarily to adding more fish dishes, including sushi sets, vegetarian and steamed dishes, as well as turkey items to the menu. The addition of seasonal dishes, such as fruit and vegetable ones, should also be provided. The bread plate can be extended by adding more kinds of bread, such as ciabatta, crisp bread, buns, and croissants, instead of just baguette, brown bread and toasts. These can be delivered from a bakery located next to the hotel, after a respective agreement is made with that business.

Sadly, local sausages are of poor quality and should therefore be removed from the menu. As there is currently no opportunity to deliver this product from abroad because of the sanctions introduced, it can be replaced with healthier substitutes. Eventually, the company should provide colorful and attractive dinner menus in English for each hotel room, along with a digital version on a company's website, in order to encourage evening visits as well.

3. The company is ought to make use of social media in order to attract European clientele. Although the questionnaire survey results showed little guest interest in using social media for seeking information, it is considered an important tool for reaching the target markets from anywhere in Europe instantly and free of charge. A Facebook page in English has to be created to encourage current and potential guests to interact and get involved with discussions about Baltiya Hotel. By opening a Twitter account in English, the hotel will be able to share its most important updates with followers from all over the world. It is also highly recommended to create an Instagram account and start uploading attractive, eye-catching photos and short videos of the property and meals at the hotel restaurant. Ultimately, the hotel management needs to place one of the employees working in the sales and marketing department in charge of the company's social media accounts. This person is supposed to attract customers and respond to any questions or comments within minutes.

4. The property itself needs certain arrangements in order to enhance customer satisfaction and make guests wish to come back to the hotel. The improvements can be as follows:

- During upcoming summer months, an open-air terrace with a bar can be opened in the backyard of the hotel. Another terrace should be arranged on the hotel rooftop, so that guests can enjoy magnificent city panorama, along with delicious meals and live music. The hotel restaurant should also host live-music evenings from Friday to Sunday. There are several young bands in Saint Petersburg, which are currently starting out and need promotion. Such musicians can therefore be invited to give performances at Baltiya Hotel.
- A digital tablet should be placed at the reception in order to facilitate check-in and check-out procedures, as well as to provide access to the city maps and other important information. A large flat-screen television will provide the hotel's video brochure in both English and Russian, as well as conference timetable and other significant information about the property.
- As it is not possible to extend the parking area around the hotel, guests can use a spacious parking located within a ten-minute walk from the hotel.

- The colorful signage with an arrow indicating the direction of Baltiya Hotel should be placed at the exit of the nearest metro station. The company name and logo have to be clearly visible on the outdoor sign.

5. Personal interaction with potential markets is a necessary measure for Baltiya Hotel sales force to create interest in the hotel and attract new customers. In this case, personal selling activities should include searching for businesses in Europe, which Baltiya Hotel would be interested to contact, either by telephone or electronic mail, and then follow up with personal calls. Specifically, numerous Finnish companies, which have offices in Saint Petersburg or planning to open them, may be interested in arranging accommodation in Baltiya Hotel for their employees visiting the city. Consequently, the list of companies, which Baltiya Hotel could build profitable relationships with, is as follows:

- AAC Global Oy
- A-Insinöörit
- Bang & Bonsomer Group Oy (Helsinki office)
- Danske Bank
- Fazer
- Finland Travel Bureau
- Isku-Yhtymä Oy
- Jartek Oy
- Juva Engineering Oy Ltd.
- Kiilto Oy
- Neste Oyj
- Paroc Group Oy
- Quattrogemini Oy
- Sonera
- Tikkurila Oyj
- YIT Corporation.

6. As for the media types through which the advertising messages can be presented to attract European customers, online advertising should be implemented. The matter is that the hotel has already attempted to use magazines and outdoor advertising in order to reach potential guests from Europe, but it has not worked out as expected. Online advertising will include contextual advertising and e-mail marketing. For this purpose, the hotel should employ the services of a specialized agency in order to run its online advertising campaigns. Advertisements occurring on banners or pop-ups should be in English and

have to appear on various international travel and hospitality related websites. The e-mail marketing efforts can either supplement Baltiya Hotel's other marketing activities, such as personal selling, or be started off as separate campaigns to highlight time-specific offers. These will involve sending offers to current and potential customers in Europe. This way, regular customers will obtain the latest information about the hotel services and special offers, and potential markets will become familiar with the property and amenities that it provides.

6 Conclusion

All in all, the aim of the study was to highlight the current situation at Baltiya Hotel regarding its existing services, facilities, and overall opportunities, and hence to identify the conditions to be improved in order to attract European travellers to the hotel. The complicated external environment in which the company is functioning was taken into consideration.

The results of the study indicate that there are certain gaps between the measures that have been undertaken by Baltiya Hotel to increase guest satisfaction and actual results from these measures to targets. According to the questionnaire survey results, a considerable number of European guests expressed their dissatisfaction with the meals at the hotel. In addition, some respondents would like to be provided with more reliable and up-to-date technological facilities. Consequently, the majority of respondents would not wish to return to Baltiya Hotel, as well as to recommend it to others.

However, it can be stated that the company definitely has the potential for growth and development, in case it is properly managed. A solid theoretical foundation, as well as a thorough analysis of Baltiya Hotel's internal and external environment provided in the thesis can help the company management to take reasonable decisions on improving the hotel's performance according to the predefined targets. Additionally, the development suggestions withdrawn from the questionnaire survey and the interview results can provide a clear path on how the necessary arrangements can be put into practice.

All in all, the study can be considered as a highly successful personal learning experience. The author managed to work out the theoretical framework of the research, as well as to perform the practical part of the study, which involved the large-scale questionnaire survey and in-depth interviews with the senior representatives from the hospitality industry. Never before had the author carried out a research of such level of difficulty and consistency, and the research process turned out to be a valuable experience. Furthermore, each step of the study was fulfilled in close cooperation with the commissioner of the thesis, from whom the continuous feedback was received.

Having summed up the study end-results, the author believes that the research conducted will make an original and meaningful contribution to Baltiya Hotel management's ability to develop successful marketing strategies aimed to attract prosperous customers from abroad and increase the company's overall profitability.

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Attachments

Attachment 1. Questionnaire

Dear guests,

This survey is conducted by Haaga-Helia University of Applied Sciences located in Porvoo, Finland, on behalf of Baltiya Hotel. It is aimed at understanding the level of your satisfaction with our hotel services. Your answers will better equip us to meet your expectations in the future.

The questionnaire will take about 7-10 min. of your time. Your opinion is very important to us. All the responses will remain confidential.

1. Your age group

☐ < 20 ☐ 21-25 ☐ 26-35 ☐ 36-40 ☐ 41-50 ☐ 51-60 ☐ > 60

2. Your gender

☐ Male ☐ Female

3. Your home country, please specify

4. Is this your first visit to Baltiya hotel?

☐ Yes ☐ No

If this is not your first visit, what factors influenced you to return to our hotel?

5. What is the purpose for your visit (this time)?

☐ Business ☐ Event/conference ☐ Leisure ☐ Wedding ☐ Shopping
☐ Other, please specify

6. Which transportation have you used this time in order to arrive to Saint Petersburg?

☐ Airplane ☐ Train ☐ Bus ☐ Ferry ☐ Private transportation

7. Where do you usually prefer to stay while travelling?

☐ 5-star/luxury hotel ☐ 4-star hotel ☐ 3-star hotel ☐ Apartment hotel/self-catering apartment ☐ Hostel ☐ Bed and breakfast ☐ Other, please specify

8. What is the main criteria for choosing your accommodation?

☐ Reasonable price ☐ Suitable price/quality relation ☐ High-quality/luxury services ☐ Convenient location ☐ Other, please specify

9. Which facilities do you find the most important for a hotel?

	Very important	Important	Not important
Overall convenience			
Good hotel room facilities (WC, bath/shower, TV)			
Free Internet			
Food services			
SPA services/swimming pool/sauna			
Live TV channels in your native language			
Other important, please specify			

10. Do you appreciate and make use of recent technological innovations proposed by hotels? (These can be: hotel mobile apps, automated check-in, filling in the surveys on a tablet at check-out, and so on.)

☐ Yes ☐ No

Which of these have you used yourself? Comment:

11. Where do you usually search information when planning your journey?

- ☐ Search engine (Google, Yahoo, etc) ☐ Travel agency ☐ Friend/colleague opinion
☐ Social media ☐ Brochures ☐ Other, please specify

12. Who do you usually travel with?

- ☐ Business colleagues ☐ Couple/spouse ☐ Family/children ☐ Tourist group
☐ Friends ☐ I am a solo traveller

13. What is the duration of your usual trip?

- ☐ 1 day ☐ 2-4 days ☐ 5-7 days ☐ 8-14 days ☐ 15 days and more

14. How did you hear about Baltiya hotel?

- ☐ Search engine (Google, Yahoo, etc) ☐ Travel review website (TripAdvisor, Booking.com)
☐ Online travel website (Expedia.com, Hotels.com) ☐ Travel agency
☐ Friend/colleague referral ☐ Magazine ☐ Company travel program
☐ Other, please specify

15. How did you make your reservation?

- ☐ Hotel website ☐ Hotel direct e-mail ☐ Hotel direct telephone
☐ Web (Booking.com, Expedia.com) ☐ Travel agency ☐ Other, please specify

16. How did you find the food quality (scale of 1-5)?

- ☐ (5) Excellent ☐ (4) Very good ☐ (3) Good ☐ (2) Fair ☐ (1) Poor

What would be your suggestions? Comment:

17. If given the opportunity, would you return to our hotel?

- ☐ Yes ☐ Maybe ☐ No

18. Would you recommend our hotel to your colleagues/friends/relatives?

☐ Yes ☐ Maybe ☐ No

19. We appreciate your opinion and suggestions. Are there any recommendations you have to improve our hotel services?

Comment:

Thank you for taking part in our survey and providing us with your valuable feedback. Please, return this form to the hotel Reception desk upon check-out.

Attachment 2. Interview with Veronika Nikolayeva

1. Could you please introduce yourself and name your position in the organization?

My name is Veronika Nikolayeva and I am the Sales Department Director at Baltiya Hotel.

2. Please, describe your main responsibilities concerning your job position.

My main responsibilities are: promoting the hotel at both local and international markets, as well as attracting more and more guests and increasing bookings. I am also responsible for maximizing the room occupancy in order to generate revenue. Besides, I create sales targets towards conference services and so on. Of course, my duties include working out a variety of additional services and examining the hotel customers' special requests.

3. How are your key job responsibilities linked to the question of attracting guests from Europe?

Of course, I am in charge of attracting all kinds of guests, including customers from Europe, and I am aiming to increase sales activities in this segment as well. Therefore, I put a great deal of effort into developing new strategies and plans in order to attract European guests to Baltiya Hotel. Besides, I always do my best to build up a better relationship with our customers and business partners from Europe, trying to understand their needs and to make them feel satisfied with our hotel services. I also represent the hotel in various international tourism exhibitions, travel fairs and networking events in order to catch the European customers' attention.

4. How would you describe the significance of attracting European guests to Baltiya Hotel?

We are quite interested in attracting this type of customers, as they normally have a greater ability to pay than local guests. As for business customers from Europe, quite many of them travel regularly to Saint Petersburg for business purposes, as there are plenty of foreign companies located in the city. Such tourists come here all year round, and attracting these is particularly important to us, as we gain an opportunity to maximize our company revenues during off seasons. Besides, the average price which these guests are able to pay is usually much higher than the price paid by ordinary tourists.

5. How would you characterize the current situation at the hotel in terms of attracting visitors from Europe?

The situation has obviously changed in comparison with the previous year. Political unrest, as well as economic sanctions introduced have had a certain impact on our business, of course. Thus, we currently observe a dramatic decrease in European tourist arrivals. Still, I hope that this is just a temporary issue. Due to significant fluctuations of the local currency, it has become much more profitable for Europeans to visit Russia. Therefore, our company has been working hard in order to attract guests from Europe. Quite

soon, we are launching a new version of our website available also in Finnish (in addition to Russian and English). Besides, we are conducting questionnaires at regular intervals in order to measure our guest satisfaction with the services they receive. We are always trying to expand the range of extra services regarding the company's overall opportunities. In other words, our team is constantly attempting to maintain a live interaction with our guests in order to stay helpful and attractive.

6. What kind of challenges does the company have at this point?

Our main challenge is to attract new customers, including Europeans, despite the current political situation, and make them wish to stay longer. Another challenge is to do our best to maintain long lasting relationships with our regular customers, regardless the severity of the current financial crisis.

7. Are there any problems or limitations occurring in terms of welcoming guests from Europe?

Perhaps, the only problem we have is limited range of extra services. Our hotel is not so big, with only 90 rooms in total. We have only one restaurant, one lobby bar, and rather modest conference facilities. In addition, European guests have been known to look after their health and wellbeing. Unfortunately, we have neither gym nor beauty salon at our hotel. Still, of course, there is an agreement with a beauty salon located nearby. Moreover, our guests can visit a good fitness center located next to the hotel at a discounted price. In other words, we are constantly trying to compensate any extra services which we don't have, as we want to make sure that our hotel is able to meet various customers' needs.

8. To what extent does the political and economic situation in Russia affect the stability of European tourist arrivals to Baltiya Hotel?

Of course, this situation has a certain negative impact on international tourist arrivals. It is evident that both the political and economic environment affect tourism gradually. At the moment, the number of European guests at our hotel has fallen sharply. Sadly, the percentage of international guests among all the hotel visitors is not more than 20 percent by now. Perhaps, tourists do not travel to Russia for some personal reasons, although I believe that now it seems to be a suitable time to visit our country.

9. What are the European countries where most of Baltiya Hotel guests usually arrive from?

The majority of our guests are from Hungary, Germany, Poland and Spain. Sometimes we also have visitors from Finland, France, Italy and Norway.

10. Is there a significant prevalence of leisure European tourists over business visitors, or vice versa?

Currently, about 70 percent of our European guests are leisure tourists, and 30 percent are business tourists respectively.

11. How would you describe the typical Baltiya Hotel European customer profile?

The typical traits are as follows: the age is somewhat 40 to 50, middle class or a bit upper, active and interested, the vast majority being men.

12. What types of European customers do you target at?

We are currently focusing on those European tourists who tend to travel for leisure. The matter is that business customers from Europe display relatively high expectations concerning various business facilities. However, our hotel is rather small and it would hardly be possible for us to meet all of such expectations in the near future.

13. How would you characterize Baltiya hotel current development strategy?

The major point for us here is focusing on our customers' needs. We constantly observe the environment around us and discover various guest requests that need to be satisfied. Therefore, we are ready to take every opportunity to interact with our guests, through surveying them and asking what we could do to better meet their needs. Of course, their valuable feedback is quite important to us, as it fills us with new creative ideas and insights.

14. What could you say about Baltiya Hotel as a brand?

BALTIYA is a registered trademark, and no one has the right to use it. As for Baltiya hotel as a brand, I can state that it has a clear name, a symbol and a slogan, in order to be properly identified and distinguished from the competitors. One can always find Baltiya hotel logo on our business cards, as well as on numerous folders, personalized pens, mugs, calendars, key chains, magnets and notebooks provided for the hotel guests. At having seen this sign, a guest is then expected to associate it with our hotel. Our corporate logo also appears in all of the correspondence, which helps to maintain strong associations with our particular company. In this way, we are trying to be recognizable for our guests and business partners. Our branding goal is also to create stable positive associations with all the comforts, efficiency, and hospitality.

15. What measures have already been taken in order to promote Baltiya Hotel among European travellers?

We have been constantly taking part in various travel fairs abroad, such as Matka Travel Fair in Helsinki, Finland, and WTM in London, UK. That is where we have been doing our best to promote Baltiya Hotel and make it more familiar to European customers. We are currently distributing Baltiya Hotel brochures representing different accommodation characteristics, via Main City Tourist Information center of Saint Petersburg, as well as through various tourism industry events being held in our city. We have been also conducting business trips to European countries in order to meet our potential business partners. After getting into contact with companies we are interested in, we clarify their needs, set up

meetings and represent our business and the services provided to current and potential customers.

16. What are the plans for further promoting the hotel in the future?

Again, this will be participating in various travel industry events, both local and international. In addition, we will be travelling across various countries if required to attend seminars and events, in order to seek out new sales opportunities. Quite soon, we are renovating our company website, which is going to provide a possibility of optimal viewing of all the content on any device – a tablet or a smartphone. Our website is going to be available in Finnish, in addition to Russian and English versions. We will also continue to use contextual advertising, maintaining, therefore, our further presence in the market.

17. Which hotel services should be improved and how to attain it?

I would advise to change the system of entry into the hotel room. The matter is that quite many of our guests currently use smartphones, so we could arrange some kind of keyless hotel room entry. Therefore, our customers could just use their smartphones to open up the hotel room doors via Baltiya Hotel special app we should create. Of course, keyless entry would also mean that our guests could skip the front desk and go straight to their rooms. In addition, smartphones could also be used not only as room keys, but also to control the room lights, indoor climate, and contact the front desk if needed. Thus, the keyless entry and other functions would all operate through our hotel mobile app. It would also be good to build one more restaurant inside the hotel, so we should properly think what hotel premises we could use in order to do this. Sadly, we are not able to launch any kinds of solid technical improvements in the nearest time, due to financial issues.

18. How could you describe Baltiya Hotel relations with its competitors? What potential threats do your competitors pose?

Of course, we are acquainted with our competitors quite well, as we are constantly exchanging real-life valid data concerning room occupancy and the average daily rate. The question of providing each other with valid and reliable information had been agreed upon in advance. Currently, there is a certain threat coming from our main competitor, Saint-Petersburg Hotel. This is a huge 401-room hotel situated less than 1km from Baltiya and offering by far more favorable location. Many of its rooms are overlooking the Neva river, providing an amazing city panorama. According to Booking.com, many guests simply decide to stay in Saint-Petersburg Hotel because of the magnificent view from their hotel room windows. Therefore, sometimes this might be even more important than superb hotel services. Although Saint-Petersburg Hotel is rather old and has been operating since the 1980s, they are currently renovating the rooms and other premises, and I am afraid that a certain part of Baltiya guests might simply start to choose this hotel instead of ours. Still, I guess that our regular clients will finally stay with us, as Saint-Petersburg Hotel has

a number of obvious weaknesses compared to Baltiya Hotel, such as difficulties concerning active interaction with its guests (as the hotel is quite big) and quick identifying their needs and preferences. I would also mention the lack of welcoming, homelike atmosphere inside Saint-Petersburg Hotel.

19. What are the hotel's competitive advantages in terms of attracting visitors from Europe? Does the company offer anything special one cannot find anywhere else? Among our competitive advantages is an individual approach to each customer. Of course, not every hotel in Saint Petersburg is really able to provide it. Besides, we have a flexible pricing policy, which is designed to suit European guests quite well. We are always ready to offer them various reasonably priced packages, such as weekend, long stay or business ones. In addition, our hotel is fairly new, so all the rooms and premises are in a superb condition; that's what European guests are usually looking for. Although Baltiya is a three-star hotel, many guests remark that our rooms are at least 4-star quality. In addition, Baltiya Hotel is located in downtown Saint Petersburg, in a close proximity to the city historic center, and in a relatively short walking distance to many sightseeing attractions nearby. Therefore, such situation allows us to offer a more flexible pricing policy: the hotel prices in the city center are much higher, yet we can offer lower prices and more flexible tariffs. I believe that all these features in combination enable us to have certain advantages in terms of attracting guests from Europe. Of course, we are trying to constantly develop our business. We are currently offering a loyalty program for our guests, as well as special benefits for those who take part in it. I truly hope that this sets us apart from the competition. According to the research we conduct on a regular basis, we currently occupy a leading position among our competitors regarding overall occupancy and the average daily rate. Thus, we are able to provide added value which is, if not unique, at least not easily found in the Saint Petersburg hotel market.

20. How is the company competitiveness going to be maintained in the future? Of course, we need to constantly maintain our competitive advantages in order to stay successful. We are going to do this through continuous interaction with our guests, adapting ourselves towards their wants and needs. Besides, we have always been working on predicting future trends in our industry, researching and monitoring the environment around us, as well as staying up-to-date on the latest technical innovations in the tourism field. In addition, we are constantly seeking out new sales opportunities, as well as new perspective business partners. I am sure that all of these measures will further differentiate us from competitors in the eyes of our customers, helping maintain competitiveness and credibility in the future.

Attachment 3. Interview with Jarmo Ritalahti

1. Could you please introduce yourself and name your position in the organization?

My name is Jarmo Ritalahti and I work in Haaga-Helia UAS as a tourism lecturer. I am responsible for the Master's degree program in Tourism and most of my teaching is at the Masters level. In addition, I do an in-house development project for Haaga-Helia UAS.

2. How often do you travel (per year)?

It depends upon the year, if there are interesting conferences I could join or if I have some project meetings abroad or a teacher exchange. All the years are very different. Still, I can say that I travel internationally from five to ten times a year.

3. Do you travel mainly for business or leisure purposes?

Mainly for business purposes. Only once a year for leisure. Frankly, I am not that interested in travelling for leisure, as I travel for business purposes really enough.

4. What is the duration of your usual trip?

My trips are usually quite long, from 4 to 7 days.

5. Who do you usually travel with (either during business or leisure trips)?

It depends, for business I travel alone or with a colleague, sometimes with several colleagues. For leisure trips I go with my family or friends.

6. Where do you usually prefer to stay while travelling (five-star/luxury hotel, four- or three star-hotel, etc.)?

It depends upon the length of my stay. If it is longer than four nights, I choose a self-catering apartment. Still, if it is less than four nights, I choose a hotel. Of course, I can choose it by myself, my employer does not set price limits at this point. Yet, I try to find a reasonably priced hotel. It is evident that my choice really depends upon the travel destination, what types of hotels are available there, what kinds of amenities are provided, etc. Normally, they have a star classification, perhaps I choose from three-star hotels to somewhat five-star.

7. What is the main criteria for choosing your accommodation?

The most important thing is more or less location, if it is suitable enough. It should not be away from the place I go for a meeting or event. I usually prefer to walk there, but if it's not possible, there should be some kind of transportation between the event place and the hotel. Still, it depends upon the destination, of course. In some countries I use only taxi services, so I get to my meeting places by taxi. When choosing my accommodation, I always check the reviews on TripAdvisor, and then I make the purchase decision.

8. Which services do you find the most important for a hotel?

Nutritious breakfast, free Wi-Fi connection and also services like the gym, I think these are the only ones I am looking for. It depends, once again, upon the destination. If it is an emerging market, somewhere in Vietnam, I usually stay at four- or five-star hotels, and

there should be a gym. If it is somewhere in Europe, then location is the most important issue, along with a good breakfast and a free Internet, of course.

9. Do you appreciate and make use of recent technological innovations proposed by hotels? (These can be: hotel mobile applications, keyless hotel room entry, filling in the surveys on a tablet at check-out, and so on.) Do you find such devices truly important and beneficial for hotels and their customers? Do you find them easy to use?

It is good and consumer-friendly to introduce new technology. However, I am a bit lazy to use it. As for the keyless hotel room entry, I would rather deal with a real person face-to-face, because I might have questions about the hotel, and so on. Still, of course, it is nice to have an iPad at the hotel room. It can be taken into use much easier than a personal laptop. Overall, I can state that new devices and apps are mostly easy to use and some of my colleagues find them almost as necessities.

10. Where do you usually search information when planning your journey?

In this case, I use a search engine or an online travel agency in order to check the prices, then jump to TripAdvisor and have a look at the reviews.

11. How do you usually make your reservation?

The flights are booked through our company assistants, and now we have launched a new hotel booking system in Haaga-Helia UAS. Still, of course, I can book a hotel by myself using other channels, if I want to.

12. What are your typical preferences concerning your meals while travelling? What would be your suggestions?

A tasty, nutritious breakfast is the most essential for me, especially when I travel for business purposes, as lots of work is to be done further on.

13. What are your preferred leisure activities while travelling?

It depends upon the trip, of course. When I meet the representatives of a partner university, we go for dinners in the evening or visit some interesting places, bars or cafés. Sadly, we don't have enough time for museums, and those are usually closed in the evening. Sometimes I just go to the hotel gym or walk around, or just stay at my hotel room and relax.

14. How would you describe the significance of successful brand positioning for a certain hotel in terms of attracting customers (especially ones from European countries)?

Hotel brands possess certain importance, of course, but I guess nowadays the importance of hotel branding is not that big as it used to be. People are now looking for other options rather than hotel chains. For instance, Hilton offers a very strong brand, but these hotels are also quite boring. They are exactly the same everywhere you go, all over the world. I

used to stay at Hilton hotels, but later I realized that I have seen enough of these, so I would like to experience something else. Still, from the other hand, Ibis, a budget hotel chain, possesses somehow a strong brand value. I don't mind staying there, because I always know for sure what I get. Ibis hotels are simple, clean, offer a suitable location, good breakfast and all the comforts. In this sense, hotel branding is an effective tool in order to attract customers. However, I would say, for Europeans brands nowadays don't matter that much. Either they can choose different brands, not being faithful any more to one particular brand.

15. To what extent does the political and economic situation in a certain country affect the stability of tourist arrivals?

Of course, this issue has a great importance. People can make their political choices, so they might decide not to visit a certain country because of political reasons, avoiding places with unrest or violence. And when we talk about economics, we often mean currency rates. If the currency of your destination country goes down, this destination obviously becomes cheaper. If, on the contrary, the currency goes up, we see that tourists are not quite eager to go to such country, because it gets too expensive, although the destination might be really attractive. Presently, we have two examples of currency fluctuations in Europe: the Russian ruble being quite low and the Swiss franc going up. Thus, it is relatively cheap now to go to Russia and stay there as a tourist, yet Switzerland is more or less expensive. I guess, the number of visitors to Switzerland is supposed to go down. Still, Russia is marked with a certain political unrest at the moment, and although the ruble is low, people might decide not to travel there because of political reasons.

16. What kind of advice would you give to a Russian hotel operating company wishing to attract more customers from Europe? How should it position and promote itself?

This is a very challenging situation. In this case, even successful brand positioning does not always help, if the political situation is difficult. Besides, I have noticed that many hotels in Russia are still practicing some kind of Soviet era style service attitude. Grand Hotel Europe in Saint Petersburg could be an example. Thus, a more service-oriented brand should be invented, in a way. Of course, it takes a long time. Besides, a hotel operating company should try to obtain a higher ranking on TripAdvisor. The quality of hotel rooms and facilities should be at a quite good level, and promotion matters, of course. The question here is how do you differentiate yourself from your competitors and what is the added value of your company, why should customers choose this particular hotel? An attractive price-quality relation, as well as "everything's included" option could be quite helpful. A great deal of Europeans, however, are still afraid to book something else than four- or five-star hotels when coming to Russia. Therefore, the question of how to persuade Europeans to choose a three-star hotel definitely arises.